

**PRINCETON MUNICIPAL LIGHT DEPARTMENT  
AND SUBSIDIARY**  
Financial Statements  
December 31, 2012 and 2011

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
TABLE OF CONTENTS  
DECEMBER 31, 2012 AND 2011

	Page
Independent Auditors' Report	1,2
Management's Discussion and Analysis	3-7
Financial Statements:	
Consolidated Statements of Net Position	8,9
Consolidated Statements of Revenues, Expenses and Changes in Net Position	10
Consolidated Statements of Cash Flows	11,12
Notes to the Consolidated Financial Statements	13-28
Supplemental Information:	
Independent Auditors' Report on Supplemental Information	29
Consolidating Statements of Net Position	30,31
Consolidating Statements of Revenues, Expenses and Changes in Net Position	32
Consolidating Statements of Cash Flows	33,34
Consolidated Schedules of Electric Utility Plant in Service	35
Consolidated Schedules of Electric Operating and Maintenance Expenses	36
Schedules of Sales of Electricity	37

# *Goulet, Salvidio & Associates, P.C.*

*Certified Public Accountants*

James F. Goulet, CPA, MST  
Catherine A. Kuzmeskus, CPA

Michael A. Salvidio, CPA  
James R. Dube, CPA

## INDEPENDENT AUDITORS' REPORT

To the Municipal Light Board  
Princeton Municipal Light Department  
Princeton, Massachusetts 01541

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Princeton Municipal Light Department of Princeton, Massachusetts and subsidiary as of and for the years ended December 31, 2012 and 2011, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Princeton Municipal Light Department as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

As discussed in Note 1, the financial statements present only the Princeton Municipal Light Department and do not purport to, and do not, present fairly the financial position of the Town of Princeton, Massachusetts, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages three through seven is not a required part of the basic financial statements but is supplementary information. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Goulet, Salvidio & Associates, P.C.

*Goulet, Salvidio & Associates, P.C.*

Worcester, Massachusetts  
July 31, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Princeton Municipal Light Department's annual financial report, management provides narrative discussion and analysis of the financial activities of the Princeton Municipal Light Department and subsidiary for the years ended December 31, 2012 and 2011. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### Overview of the Financial Statements:

The basic financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position (3) the cash flow statements and (4) notes to the financial statements.

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. As of December 31, 2012, it shows our net position was \$4,338,701, a decrease of \$67,001 over 2011.

The Statements of Revenues, Expenses and Changes in Net Position, summarize our operating results and reveals how much of a profit (loss) was earned for the year. As discussed on the following page our net income (loss) before contributions and transfers for the year ending December 31, 2012 and 2011 was (\$64,466) and \$450,884, respectively.

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, investing activities and financing activities for the same period.

### Summary of Net Position

	<u>2012</u>	<u>2011</u>
Current Assets	\$ 1,164,169	\$ 1,085,755
Noncurrent Assets	<u>10,572,791</u>	<u>11,134,179</u>
Total Assets	<u>\$ 11,736,960</u>	<u>\$ 12,219,934</u>
Current Liabilities	\$ 1,890,962	\$ 1,826,214
Noncurrent Liabilities	<u>5,507,297</u>	<u>5,988,018</u>
Total Liabilities	<u>7,398,259</u>	<u>7,814,232</u>
Net Position:		
Net Investment in Capital Assets	4,486,977	4,295,004
Unrestricted	<u>(148,276)</u>	<u>110,698</u>
Total Net Position	<u>4,338,701</u>	<u>4,405,702</u>
Total Liabilities and Net Position	<u>\$ 11,736,960</u>	<u>\$ 12,219,934</u>

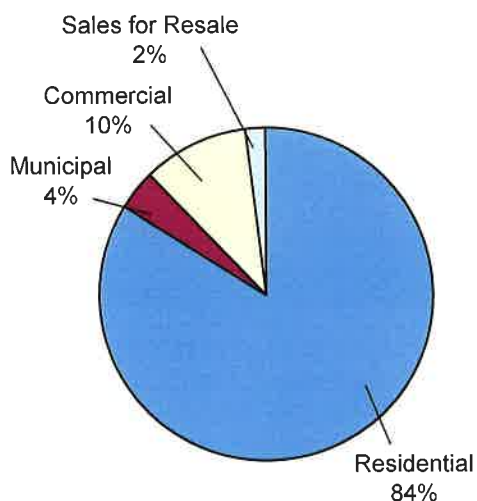
### Summary of Changes in Net Position

	2012	2011
Operating Revenues	\$ 3,003,230	\$ 3,158,390
Operating Expenses	<u>2,546,154</u>	<u>2,564,050</u>
Operating Income	457,076	594,340
Nonoperating (Expenses) Revenues	(350,140)	(143,456)
Extraordinary (Expenses) Reimbursements	<u>(171,402)</u>	<u>0</u>
Increase in Net Position before Transfers	(64,466)	450,884
Net Position, January 1	4,405,702	3,960,043
Transfer Out – Services Rendered in Lieu of Taxes	<u>(2,535)</u>	<u>(5,225)</u>
Net Position, December 31	<u>\$ 4,338,701</u>	<u>\$ 4,405,702</u>

### Financial Highlights:

PMLD is a non-profit public service corporation, whose primary goal is to provide reliable electric service at the lowest possible cost to the residents and businesses of the Town of Princeton. PMLD is a Town asset, working as a separate governmental unit, with its own Board of Light Commissioners, policies, and budget serving the needs and providing value to our ratepayers.

### Source of Operating Revenues



## **Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (Cooperative):**

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and the Princeton Municipal Light Department (PMLD) for the purpose of financing, owning, constructing and operating wind generation facilities located in the town of Princeton, Massachusetts (Princeton Facilities). The Cooperative has constructed and is operating two 1.5-megawatt wind turbines at the PMLD's wind farm in Princeton, Massachusetts. The Cooperative is a self-sustaining operation, providing both operational and financial value to the PMLD.

### Debt Administration

In January 2009, the Cooperative converted a Line of Credit and Letter of Credit to a commercial term loan (Term Loan) which the bank granted the Cooperative in the amount of up to \$7,300,000 to be used as permanent financing to support the preparation and site work on the property located in Princeton, Massachusetts, for two 273-foot wind towers and turbines, to pay the remaining costs of the project and to pay off the existing Line of Credit with the bank. The Term Loan has a fixed interest rate of 5.5% per annum which was modified on November 15, 2012 to a new rate of 4.25%. Principal is payable over 15 years in annual payments of \$486,667 commencing on April 15, 2010, and then on April 15 of each year thereafter. As of December 31, 2012 and 2011, the Cooperative had \$5,839,999 and \$6,326,666, respectively, outstanding on the Term Loan.

Financing costs incurred in connection with the issuance of the debt have been capitalized and are being amortized over the life of the debt instruments.

### **Electric Customer and Rates**

By the end of 2012, PMLD provided service to 1,424 residential, 5 farm, 85 commercial, and 16 municipal customers. Residential customers consume approximately 84% of the town's total energy use. All of PMLD's customers consumed approximately 14.5 million kWh of energy in 2012. The average home used approximately 900 kWh per month.

In 2012 PMLD maintained the same rates as 2011 with no increase to the customers. PMLD's number one priority is to maintain the lowest possible rates, while providing the most reliable electric service possible.

### **Non-metered Electricity Accounts**

PMLD provides electricity to town-owned and private property street lights that are unmetered. The annual energy consumption from these accounts is 108,861 and 107,235 kwh's respectively. PMLD billed the Town of Princeton \$10,415 in FY2012 for the annual cost of town-owned street lights.

## **Reliability**

Delivering and maintaining reliable energy to every customer in Princeton is one of our main goals. PMLD continued to trim and remove trees that could damage the electric distribution system or cause outages. PMLD completed many upgrade projects to the electric distribution system such as new utility poles, wires, and hardware. PMLD had no town wide outages in 2012. PMLD will continue to improve the reliability of our electric system.

## **Service to Town**

In addition to providing low cost and reliable energy, PMLD performed many other services for the Town and our customers in 2012.

- Discounted the cost of Town owned streetlights
- Installed holiday decorations and other banners and signs throughout town
- Assisted other Town Departments with tree removals and road upgrade projects
- Sponsored electrical safety classes for the children at the Thomas Prince School
- Offered rebates for energy efficient refrigerators, clothes washers, room air conditioners, programmable thermostats and dishwashers
- Assisted other Town Departments and Committees with the use of manpower and bucket trucks when needed (i.e. Mechanics Hall, Library)

## **Market and Bulk Energy Purchase**

PMLD continued in 2012 to purchase the bulk of its energy requirements and ISO real-time and day-ahead market rates through MMWEC. PMLD instructed MMWEC to purchase energy in the day-ahead and real-time ISO markets, since long-term energy contracts were above ISO-NE market rates. PMLD's average power cost in 2012 was approximately \$37 per MWh.

PMLD developed a five year energy purchasing strategy to secure and fix a portion of our energy requirements with lower cost energy. This plan has already secured, at a relatively low cost, a portion of our Town's energy requirements for 2013. MMWEC is managing the purchase of these power contracts.

## **Wind Farm**

PMLD through its relationship with the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation, finished the erection of the wind turbines and site construction at the Wind Farm in 2010. The wind farm project demonstrates our commitment to renewable energy, reduces our dependency on the fossil fuels that cause pollution, and most importantly, balances the environmental community impacts. MMWEC is managing the purchase of the power through long-term contracts.



## **Renewable Energy**

PMLD's commitment to protecting the environment and purchasing renewable energy continued through FY2012. Generating and purchasing renewable energy makes a difference in our community. In FY2012, PMLD purchased approximately 12% of its energy from various hydroelectric power plants throughout the region. This renewable energy is purchased at very favorable costs compared to market and contract power costs.

## **Significant Balances and Transactions**

### Depreciation Fund

The Department maintains a depreciation fund, which is managed by the Town of Princeton Treasurer. This fund is used to pay for large capital investments such as new vehicles and other long-term assets. Items such as these would be purchased from the operating funds, which would then be replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 300,496	\$ 466,956
Petty Cash	800	800
Customer Accounts Receivable, Net	318,038	291,114
Other Accounts Receivable	314,048	89,499
Materials and Supplies	175,760	188,131
Working Capital Balance on Deposit	13,740	13,451
Prepaid Expenses	41,287	35,804
	<u>1,164,169</u>	<u>1,085,755</u>
<b>TOTAL CURRENT ASSETS</b>		
	<u>1,164,169</u>	<u>1,085,755</u>
<b>NONCURRENT ASSETS:</b>		
Funds on Deposit with Town Treasurer		
Depreciation Fund	88,394	303,004
Customer Meter Deposits	36,146	36,621
Preliminary Survey and Investigation Charges	33,542	33,542
Deferred Interest Expense	3,589	7,184
Deferred Financing Costs, Net of Accumulated Amortization	19,707	22,631
Utility Plant Assets, Net	10,391,413	10,731,197
	<u>10,572,791</u>	<u>11,134,179</u>
<b>TOTAL NONCURRENT ASSETS</b>		
	<u>10,572,791</u>	<u>11,134,179</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,736,960</u>	<u>\$ 12,219,934</u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND 2011

LIABILITIES

	2012	2011
CURRENT LIABILITIES:		
Accounts Payable	\$ 398,735	\$ 343,507
Accounts Payable - MMWEC	892,074	850,268
Current Obligations under Capital Lease	24,943	44,587
Current Portion of Long-Term Debt	486,667	486,667
Accrued Expenses	88,543	101,185
	<u>1,890,962</u>	<u>1,826,214</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Obligations under Capital Lease	39,494	64,940
Deferred Rent	8,635	7,361
Long-Term Debt, Less Current Portion	5,353,332	5,839,999
Customer Meter Deposits	21,020	21,055
Net Other Postemployment Benefit Obligation	84,816	54,663
	<u>5,507,297</u>	<u>5,988,018</u>
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES	<u>7,398,259</u>	<u>7,814,232</u>
NET POSITION		
Net Investment in Capital Assets	4,486,977	4,295,004
Unrestricted	<u>(148,276)</u>	<u>110,698</u>
TOTAL NET POSITION	<u>4,338,701</u>	<u>4,405,702</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 11,736,960</u></u>	<u><u>\$ 12,219,934</u></u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Sales of Electricity	\$ 2,945,821	\$ 3,026,516
Other Operating Revenues	57,409	131,874
TOTAL OPERATING REVENUES	3,003,230	3,158,390
OPERATING EXPENSES:		
Operating and Maintenance	2,159,244	2,194,568
Depreciation	386,910	369,482
TOTAL OPERATING EXPENSES	2,546,154	2,564,050
OPERATING INCOME	457,076	594,340
NONOPERATING REVENUES (EXPENSES):		
Interest Income	1,055	306
Interest Expense	(337,178)	(370,167)
Disaster Recovery Revenue (Expense)	(11,093)	349,576
Internet Services, Net Loss	0	(120,475)
Amortization of Debt Expense	(2,924)	(2,696)
TOTAL NONOPERATING REVENUES (EXPENSES)	(350,140)	(143,456)
Income Before Extraordinary Items	106,936	450,884
Reimbursement for Extraordinary Wind Turbine Repairs	210,464	0
Extraordinary Wind Turbine Repairs	(381,866)	0
TOTAL EXTRAORDINARY ITEMS	(171,402)	0
Income (Loss) Before Contributions and Transfers	(64,466)	450,884
NET POSITION - JANUARY 1	4,405,702	3,960,043
Transfers Out - Services Rendered in Lieu of Taxes	(2,535)	(5,225)
NET POSITION - DECEMBER 31	\$ 4,338,701	\$ 4,405,702

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 2,961,022	\$ 3,471,402
Cash Paid to Suppliers	(1,679,448)	(1,710,013)
Cash Paid to Employees	(560,618)	(533,918)
Cash Received from Other Operating Activities	0	66,081
Services Rendered In Lieu of Taxes	(2,535)	(5,225)
	<u>718,421</u>	<u>1,288,327</u>
<b>Net Cash Provided by Operating Activities</b>		
	<u>718,421</u>	<u>1,288,327</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Borrowings from MMWEC	0	451,115
Additions to Utility Plant Assets	(47,126)	(218,064)
Net Extraordinary Repairs Revenues (Costs)	(171,402)	0
Disaster Recovery Income	1,933	336,552
Payments on Capital Lease	(45,090)	(148,304)
Interest Expense	(12,437)	(5,652)
Payments on BAN	0	(159,309)
Repayment on Long-Term Debt	(486,667)	(486,668)
Interest Payments on Long-Term Debt	(340,232)	(366,330)
	<u>(1,101,021)</u>	<u>(596,660)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>		
	<u>(1,101,021)</u>	<u>(596,660)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Income	1,055	306
	<u>1,055</u>	<u>306</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(381,545)	691,973
<b>CASH, BEGINNING OF YEAR</b>	<u>807,381</u>	<u>115,408</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 425,836</u></u>	<u><u>\$ 807,381</u></u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 457,076	\$ 594,340
Depreciation of Utility Property	386,910	369,482
Depreciation and Amortization of Internet Property	0	90,758
Other Non-Operating Loss	0	(24,677)
Services Rendered In Lieu of Taxes	(2,535)	(5,225)
Allowance for Doubtful Accounts	0	(5,000)
Changes in Assets and Liabilities:		
(Increase)Decrease in Assets:		
Customer Accounts Receivable	(26,924)	68,420
Other Accounts Receivable	(150,712)	146,560
Materials and Supplies	12,371	(15,438)
Prepaid Expenses	(5,483)	(5,948)
Unbilled Revenue	(293)	0
Increase(Decrease) in Liabilities:		
Accounts Payable	(19,772)	36,616
Accounts Payable - MMWEC	29,945	25,435
Accrued Expenses	6,446	(9,464)
Net Other Postemployment Benefit Obligation	30,153	18,221
Deferred Rent	1,274	1,472
Meter Deposit Liability	(35)	2,775
Net Cash Provided by Operating Activities	<u>\$ 718,421</u>	<u>\$ 1,288,327</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the purpose of the statements of cash flow:

	2012	2011
Operating Fund	\$ 300,496	\$ 466,956
Depreciation Fund	88,394	303,004
Customer Meter Deposits	36,146	36,621
Petty Cash	800	800
	<u>\$ 425,836</u>	<u>\$ 807,381</u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Princeton Municipal Light Department are as follows:

Reporting Entity

The Princeton Municipal Light Department (PMLD) is a component unit of the Town of Princeton, Massachusetts. The Light Department purchases electricity from various sources and sells it to the Town's residents and businesses at rates submitted to the Massachusetts Department of Public Utilities (DPU). Until June 2011, the Department also provided wireless internet services to customers within its service area. The municipal light board appoints a manager of municipal lighting who shall, under the direction and control of the municipal light board, have full charge of the operation and management of the Department.

Regulation and Basis of Accounting

PMLD's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Under Massachusetts law, electric rates of the Light Department are set by the Municipal Light Board and may be changed not more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities. While the DPU exercises general supervisory authority over the Light Department, the Light Department's rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

Utility Plant

The statutory provision for depreciation of utility plant is computed on the straight-line method at 3% of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Massachusetts law stipulates that the Light Department may change from the statutory depreciation rate only with the approval of the DPU.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

In accordance with Light Department policies, employees are allowed to accumulate sick days, up to a maximum of 60 days. Upon retirement from employment with the Light Department, the employee will be paid 50% for accumulated sick time. Upon termination the employee will not be paid for accumulated sick time. Employees are permitted to carry over up to 10 days of vacation time from one year to the next. Upon termination of employment with the Light Department, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination. The amount of vacation and sick time accrued as of December 31, 2012 and 2011 is \$29,385 and \$22,967, respectively.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Taxes

The Light Department is exempt from federal income taxes. Although also exempt from property taxes, the Light Department provides services in lieu of taxes to the Town of Princeton.

Revenues

Revenues from sales of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Department, which are applied to customers' consumption of electricity.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Cash and Cash Equivalents

For purposes of the statements of cash flows, PMLD considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Sales Tax

The Department collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

Reclassification

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation with no effect on previously reported net income.

Accounts Receivable

The Department carries its accounts receivable at cost. Annually, the Department evaluates its accounts receivable and establishes a list of write-offs, which are submitted to the Light Board for approval. A receivable is considered past due if payments have not been received by the Department for 45 days. At that time, the Department will send a past due letter. Second notification is sent out 15 days later with a notice of termination of service if payment is not received within the next 72 hours. The Department has the right to shut off service to customers during the months of April through October if the customer is not making payments.

Allowance for Doubtful Accounts

In order to state accounts receivable at their realizable value, the Department provides a reserve for doubtful accounts. Accounts are identified as doubtful after two years and are written off when all legal efforts to collect have been exhausted. For the years ended December 31, 2012 and 2011 the allowance for doubtful accounts balance was \$5,000.



PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 2 – UNBILLED REVENUE:

No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

NOTE 3 – OTHER ACCOUNTS RECEIVABLE:

Other accounts receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Jobbing	\$ 103,584	\$ 76,475
Insurance Reimbursement – Wind Turbine Repairs	210,464	0
FEMA Receivable	<u>0</u>	<u>13,024</u>
Total	<u>\$ 314,048</u>	<u>\$ 89,499</u>

NOTE 4 – RELATED PARTIES:

The Light Department bills the Town of Princeton for electric light usage. The amount included in revenue was approximately \$108,504 and \$102,803 for December 31, 2012 and 2011, respectively. Accounts receivable from these departments was \$9,922 and \$8,987 for December 31, 2012 and 2011, respectively.

The Light Department reimburses the town for various employee benefits and services, including health insurance and Worcester Regional Retirement. During the years ended December 31, 2012 and 2011, the total amounts paid for these services were \$178,171 and \$189,943, respectively. At December 31, 2012 and 2011, amounts payable to the town were \$115,817 and \$77,902, respectively.

NOTE 5 – ADVANCES TO MMLD WIND ENERGY COOPERATIVE CORPORATION  
(COOPERATIVE):

Princeton Municipal Light Department has advanced amounts to the Cooperative in order to pay for development costs associated with the Princeton Facilities, as well as some construction costs that were in excess of the bond proceeds. There are no specific repayment terms. As of December 31, 2012 and 2011, the total advanced to the Cooperative was \$691,211.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 6 – PREPAID EXPENSES:

Prepayments consist of the following:

	<u>2012</u>	<u>2011</u>
Prepaid Insurance Premium	\$ 36,610	\$ 31,127
Prepaid Purchased Power	<u>4,677</u>	<u>4,677</u>
Total	<u>\$ 41,287</u>	<u>\$ 35,804</u>

NOTE 7 – DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, the costs of contractual commitments, and deferred costs related to such commitments which the municipal light board determines are above market value.

NOTE 8 – PURCHASED POWER WORKING CAPITAL:

The Department is a member and participant of the Massachusetts Municipal Wholesale Electric Company (MMWEC). The purchased power working capital is an amount held by MMWEC. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay power obligations when they are due. They replenish the fund as needed from the monthly invoice payments. The income earned allocated to the Light Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2012 and 2011 is \$13,740 and \$13,451, respectively.

NOTE 9 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2012</u>	<u>2011</u>
Cost of Capital Assets Acquired	\$ 12,967,584	\$ 12,972,159
Less: Accumulated Depreciation	2,576,171	2,240,962
Less: Outstanding Debt Related to Capital Assets	<u>5,904,436</u>	<u>6,436,193</u>
Net Investment in Capital Assets	<u>\$ 4,486,977</u>	<u>\$ 4,295,004</u>

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 10 – UTILITY PLANT ASSETS:

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
Capital Assets not being Depreciated:				
Land	56,870	-	-	56,870
Capital Assets Being Depreciated:				
Generation Plant	8,457,817	10	-	8,457,827
Distribution Plant	3,066,382	43,060	(51,701)	3,057,741
General Plant	1,391,090	4,056	-	1,395,146
Total Capital Assets being Depreciated	12,915,289	47,126	(51,701)	12,910,714
Less Accumulated Depreciation for:				
Generation Plant	(501,723)	(253,182)	-	(754,905)
Distribution Plant	(842,981)	(55,656)	51,701	(846,936)
General Plant	(896,258)	(78,072)	-	(974,330)
Total Accumulated Depreciation	(2,240,962)	(133,728)	51,701	(2,576,171)
Capital Assets being depreciated, net	10,674,327	(86,602)	-	10,334,543
Utility Plant Assets, Net	\$ 10,731,197	\$ (86,602)	\$ -	\$ 10,391,413

NOTE 11 – PENSION PLAN:

The Light Department, through the Town of Princeton, is a member of the Worcester Regional Retirement System, which, in turn, is a member of the Massachusetts Contributory Retirement System, which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by teachers' retirement board.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 11 – PENSION PLAN (Continued):

A \$30,000 salary cap, upon which members' benefits were calculated, was removed by the Worcester Regional Retirement System effective January 1, 1991. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

Active members contribute 5, 7, 8 or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's Commission (PERAC's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted since 1981 and any increase in other benefits imposed by state law after that year is borne by the state.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification. Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

The Department's contribution to the Retirement Plan is determined by an allocation of the total Town contribution, which is based upon projected benefits to be paid during the applicable year. The Department then reimburses the Town for the Department's share of the assessment.

The amount of pension expense charged to operations for the years ended December 31, 2012, 2011 and 2010 was \$73,964, \$68,228, and \$55,899, respectively.

The Plan's separately issued financial statements can be obtained by contacting Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 12 – RISK MANAGEMENT:

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the Department carries commercial insurance. There were no significant reductions in insurance coverage from the previous year, and there have been no material settlements in excess of coverage in any of the past four fiscal years.

Self-Insurance Trust

Princeton Municipal Light Department participates in Mass Municipal Self Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing general liability and officers' liability risks. Through the Trust, Princeton Municipal Light Department is insured for \$500,000 per occurrence, with a \$50,000 deductible. Each participating light department contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims under the deductible limit are funded by trust assets or, if required, additional contributions from the participants.

Generally accepted accounting principles requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2012 and 2011, the Light Department considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS:

The Department implemented GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions* for the year ended December 31, 2009. As allowed by GASB 45, the Department has established the net OPEB obligation at zero at the beginning of the transition year and has applied the measurement recognition requirements of GASB 45 on a prospective basis. For the study dated July 1, 2012 the Department utilized the ACOPEB, software developed to meet the requirements of GASB Statement 45 for the alternative calculation of OPEB for state and local government plans with fewer than 100 employees.

*Plan Description.* PMLD participates in the town sponsored single employer defined benefit health plan. PMLD provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of July 1, 2012, PMLD's membership consisted of the following:

Current retirees, beneficiaries	5
Current active members	<u>7</u>
Total	<u><u>12</u></u>

*Funding Policy.* PMLD recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged PMLD by the Town, which aggregated approximately \$81,909 and \$75,839 for the years ended December 31, 2012 and 2011, respectively. The cost of providing these benefits for retirees is 50% of the premium. Retired plan members and beneficiaries currently receiving benefits are required to contribute 50% for health insurance. A surviving spouse may continue coverage for lifetime by paying under the same arrangement. Retirees are required to pay 50% annually for the cost of a \$5,000 life insurance benefit, if elected.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

*Funded Status and Funding Progress.* Alternative measurements of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Legislature was passed allowing Municipal Light Departments to create a trust, in order to fund their OPEB obligation. As of December 31, 2012, Princeton Municipal Light Department did not create a trust.

*Annual OPEB Costs.* The Department's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount to be determined using the alternative measurement method in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Light Department's annual OPEB cost for the years ending December 31, 2012 and 2011 the amount actually contributed to the plan, and changes in the Department's net OPEB obligation based on an alternative measurement method as of July 1, 2012:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 41,625	\$ 23,459
Contributions made	<u>11,235</u>	<u>5,238</u>
Increase in net OPEB obligation	30,390	18,221
Net OPEB obligation, beginning of year	54,663	36,442
Changes in actuarial assumptions	<u>(237)</u>	<u>0</u>
Net OPEB obligation, end of year	<u>\$ 84,816</u>	<u>\$ 54,663</u>

The Light Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2010	\$ 23,459	22%	\$ 36,442
2011	\$ 23,459	22%	\$ 54,663
2012	\$ 41,625	27%	\$ 84,816

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (Continued):

The funded status is as follows:

Actuarial accrued liability (AAL)	\$ 554,951
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	<u>\$ 554,951</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 539,482
UAAL as a percentage of covered payroll	102.86%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Light Department and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point.

As of July 1, 2012, the valuation using the alternative measurement method and projected unit credit cost method was used. The assumptions included a 3% investment rate of return and an annual healthcare cost trend rate of 6%. The Light Department's unfunded actuarial accrued liability is being amortized each year as an open 30 year level dollar basis.

NOTE 14 – LEASE OBLIGATIONS:

In September 2005, PMLD entered into a lease agreement of seven years to lease a digger derrick. The lease was paid off in September 2012.

In October 2006, PMLD entered into a lease agreement of five years to lease wireless internet equipment. The lease was paid off in October 2011.

In August 2007, PMLD entered into a lease agreement of five years to lease a truck. The lease was paid off in August 2012.

In August 2008, PMLD entered into a lease agreement of seven years to lease a material handler/bucket truck. The lease runs through August 2015.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 14 – LEASE OBLIGATIONS (Continued):

The approximate minimum future payments of the lease obligations are as follows:

Year ending December 31,	2013	\$	24,943
	2014		24,943
	2015		<u>14,551</u>
	Total	\$	<u>64,437</u>

NOTE 15 – NOTE PAYABLE:

On April 2, 2009 the Town of Princeton entered into a \$4 million bond anticipation note (“BAN”) with First Southwest Company. The Department was responsible for \$2.2 million of the BAN used to pay costs associated with the December 11, 2008 ice storm damage. The BAN was at a fixed interest rate of 1.5% and 2.0% per annum with a maturity date of January 6, 2010. This BAN was redeemed on December 17, 2009.

A new BAN was issued to the Town of Princeton in the amount of \$700,000, of which the Light Department was responsible for \$500,000. The sale date was December 17, 2009 with a dated date of January 6, 2010. This BAN was the balance needed to payoff the first BAN for the ice storm damage. The interest rate on this BAN was 1.17 % and had a maturity date of July 9, 2010.

The Town of Princeton was issued a third BAN on July 9, 2010 in the amount of \$225,000, of which the Light Department was fully responsible for. This BAN was used to pay off the balance due on the second BAN, relating to the ice storm damage. The interest rate on this BAN was 1.14% and had a maturity date of April 6, 2011. As of December 31, 2011 the outstanding balance was zero.

NOTE 16 – INTERNET SERVICE:

The Department provided high-speed wireless internet service to approximately 290 customers within the Town of Princeton. The high-speed wireless internet service was sold in June 2011 along with all its assets.

For 2011, the results of operations are presented on the statements of revenues, expenses and changes in net position as a single line under non-operating revenues (expenses).



PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 16 – INTERNET SERVICE (Continued):

	<u>2012</u>	<u>2011</u>
Gross revenue	\$ 0	\$ 69,100
Depreciation expense	0	82,944
Amortization expense	0	7,813
Salaries allocated to internet services	0	20,706
Other operating expenses	0	27,684
Loss on Disposal of Assets	<u>0</u>	<u>50,428</u>
Total expenses	<u>0</u>	<u>189,575</u>
Net Loss	<u>\$ 0</u>	<u>\$ (120,475)</u>

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

Purchase Power Commitment

The Department has agreements with the Massachusetts Municipal Wholesale Electric Company (“MMWEC”) for participation in the interconnection between New England utilities and the Hydro-Quebec electric system near Sherbrooke, Quebec, (Phase I). The Department is also a direct participant in Phase II of the Hydro-Quebec interconnection. Participation in the arrangement provides for preferential exchanges and purchases of energy over the lines.

MMWEC was created as a political subdivision of the Commonwealth of Massachusetts to develop and coordinate power supply planning and assistance for its member municipal light departments.

NOTE 18 – CONCENTRATIONS OF CREDIT RISK:

Light Department’s funds are deposited with the Town and are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Light Department. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Light Department deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 19 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE):

The significant accounting principles and policies utilized by the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (Cooperative) are as follows:

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 19 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Reporting Entity

The Cooperative is organized under Chapter 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and the Princeton Municipal Light Department (PMLD) for the purpose of financing, owning, constructing and operating wind generation facilities located in the town of Princeton, Massachusetts (Princeton Facilities). In October 2009, the Templeton Municipal Light & Water Plant (Templeton) joined the Cooperative in order to finance, purchase or otherwise acquire, construct, install, operate and maintain, or cause to be operated and maintained a wind turbine and ancillary equipment for the production of wind energy to be installed in Baldwinville, Massachusetts (Templeton Facilities).

The powers of the Cooperative are exercised by the Board of Directors who has the right to conduct business and carry on operations. The Board of Directors is comprised of one director who represents MMWEC and two or more Directors who represent PMLD and Templeton.

Nature of Operations

The Cooperative has constructed and is operating two 1.5-megawatt wind turbines at the PMLD's wind farm in Princeton, Massachusetts and one 1.65-megawatt wind turbine at the Templeton's wind farm in Baldwinville, Massachusetts. The Cooperative provides wind energy to PMLD and Templeton. This business is a self-sustaining operation, providing both operational and financial value to the PMLD and Templeton.

Regulation and Basis of Accounting

The financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Additionally, the Cooperative follows Codification ASC 980, *Accounting for the Effects of Certain Types of Regulation* as it relates to the deferral of revenues and expenses to future periods in which the revenues are expected to be earned or expenses are expected to be recovered through future billings.

Fair Value of Financial Instruments

The Cooperative's financial instruments consist of cash and cash equivalents, accounts payable and accrued expenses and debt instruments. The estimated fair values of these financial instruments approximate their carrying values at December 31, 2012 and 2011. The estimated fair values have been determined through information obtained from market sources and management estimates.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 19 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Depreciation

Property and equipment is stated at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives using straight line method. Depreciation expense for 2012 and 2011 was \$253,182 and \$242,059, respectively.

Taxes

The Cooperative is exempt from federal income taxes.

Advances from Princeton Municipal Light Department

PMLD has advanced amounts to the Cooperative in order to pay for development costs associated with the Princeton Facilities that are in excess of the bond proceeds. The advances are classified as long term as repayment is not anticipated within the current year. There are no specific repayment terms. The total advances to the Cooperative were \$691,211 as of December 31, 2012 and 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Insurance

Prepaid insurance represents insurance premiums paid in the current fiscal year benefiting future periods.

Amounts Recoverable /Payable in the Future

The difference between revenues received and expenses paid are charged to the amounts recoverable/payable in the future account. Such amounts will be recovered or settled through future billings.

Revenues and Expenses

The Cooperative distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the Cooperative will be the contract charges to the PMLD and Templeton. Operating expenses for the Cooperative currently include insurance, services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

During 2012, one of the turbines that comprise the Princeton Facilities underwent major maintenance. Costs related to the maintenance of this turbine, including crane work, legal expenses and travel costs are presented as Extraordinary Wind Turbine Repairs on the accompanying Statements of Revenues, Expenses and Changes in Net Position. In June 2013, an insurance reimbursement of a portion of these costs was received by the Cooperative, which is presented as Reimbursement for Extraordinary Wind Turbine Repairs on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 19 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

*Cash:*

	2012		2011	
	Carrying Value	Bank Value	Carrying Value	Bank Value
Checking Account	\$ 269,283	\$ 269,788	\$ 399,220	\$ 399,220

Custodial Credit Risk

In the event of a bank failure, the Cooperative's deposits may not be returned. The Cooperative's funds on deposit with financial institutions are subject to the insurance coverage limits by the Federal Deposit Insurance Corporation (FDIC) and the Deposit Insurance Fund of Massachusetts (DIF).

No formal investment policy has been adopted by the Cooperative to address custodial credit risk.

*Related Parties:*

On behalf of the Cooperative, MMWEC records and accounts for bills received and paid. MMWEC is also accounting for monthly contract charges rendered and payments received from PMLD.

The Cooperative entered into an agency contract with MMWEC on October 30, 2007, under which MMWEC is to serve as the Cooperative's agent in all matters with respect to financing the construction, purchase, ownership, lease or other acquisition by the Cooperative of the Princeton Facilities or energy generated from other facilities and other property or interest therein.

Under both the agency and service contract, MMWEC is to serve as the Cooperative's representative in the New England Power Pool (NEPOOL) and in matters relating to ISO New England, Inc. (ISO-NE) in connection with the Princeton Facilities, the purchase and sale of energy therefrom or from other facilities and other property or interests therein.

During the years ended December 31, 2012 and 2011, the Cooperative incurred charges for services provided by or paid by MMWEC on behalf of the Cooperative. As of December 31, 2012 and 2011, the Cooperative had an outstanding balance due to MMWEC of \$1,127,704 and \$1,097,759, respectively.

Occasionally, PMLD will incur costs related to the Princeton Facilities and then invoice the Cooperative for these costs. During the years ended December 31, 2012 and 2011, the Cooperative incurred charges of \$31,553 and \$97,413 which were paid by PMLD, respectively, for costs related to the Princeton Facilities. The Cooperative has an outstanding balance due to PMLD of \$691,211 at December 31, 2012 and 2011.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 19 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

*Related Parties (continued):*

As disclosed in *Commitment and Contingencies*, the Cooperative entered into a lease agreement with the PMLD and is required to make annual rental payments under this agreement.

*Debt:*

In January 2009, the Cooperative converted a Line of Credit and Letter of Credit to a commercial term loan (Term Loan) which the bank granted the Cooperative in the amount of up to \$7,300,000 to be used as permanent financing to support the preparation and site work on the property located in Princeton, Massachusetts, for two 273-foot wind towers and turbines, to pay the remaining costs of the project and to pay off the existing Line of Credit with the bank. The Term Loan has a fixed interest rate of 5.5% per annum which was modified on November 15, 2012 to a new rate of 4.25%. Principal is payable over 15 years in annual payments of \$486,667 commencing on April 15, 2010, and then on April 15 of each year thereafter. Interest is payable in semi-annual installments commencing on April 15, 2009 and October 15, 2009, and on April 15 and October 15 of each year thereafter. All principal and accrued interest thereon shall be due and payable on demand on April 15, 2024. The Term Loan is subject to a prepayment penalty of 1.0% of the principal prepaid if paid on or before November 15, 2017. The Term Loan is collateralized by the equipment and the purchase power agreement (PPA) with the Princeton Municipal Light Department. As of December 31, 2012 and 2011, the Cooperative had \$5,839,999 and \$6,326,666, respectively, outstanding on the Term Loan.

The Cooperative incurred \$35,947 of financing costs in connection with the issuance of the Term Loan, which were capitalized and will be amortized over the life of the debt instrument. Amortization expense related to these financing costs was \$2,924 and \$2,696 for the years ended December 31, 2012 and 2011, respectively. The remaining deferred costs balance related to the Term Loan of \$22,942 is included in deferred financing costs on the accompanying statements of net position.

The following is a summary of total debt service requirements for the bond and loans outstanding at December 31, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 486,667	\$ 247,419	\$ 734,086
2014	486,667	220,795	707,462
2015	486,667	199,767	686,434
2016	486,667	178,738	665,405
2017	486,667	157,710	644,377
2018-2022	2,433,333	473,131	2,906,464
2023-2024	<u>973,331</u>	<u>42,056</u>	<u>1,015,387</u>
Totals	<u>\$ 5,839,999</u>	<u>\$ 1,519,616</u>	<u>\$ 7,359,615</u>

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 19 – MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT WIND ENERGY  
COOPERATIVE CORPORATION (COOPERATIVE) (Continued):

*Commitments and Contingencies:*

Lease Agreement

The Cooperative entered into a 20 year lease agreement on October 29, 2007 with the PMLD. Under the lease agreement, the Cooperative may finance, purchase, acquire, own, hold, install and maintain, or cause to be installed and maintained, wind turbines and ancillary equipment for the generation of wind power on a portion of the site of the existing Princeton Facilities. This lease agreement requires monthly lease payments initially of \$500, escalating at a rate of 3% per year. The total amount of rent expense is being recognized using the straight line method over the term of the lease agreement. The Cooperative has recorded a deferred lease obligation to reflect the excess of lease expense over cash payments since the inception of the lease.

At December 31, 2012, future minimum commitments due under this operating lease are as follows:

2013	\$	6,990
2014		7,200
2015		7,416
2016		7,639
2017		7,868
2018-2022		43,024
2023-2027		<u>48,071</u>
Total	\$	<u>128,208</u>

Annual lease payments for the years ended December 31, 2012 and 2011 were \$1,126 and \$1,093, respectively. Lease expense for the years ended December 31, 2012 and 2011 was \$8,061.

Legal

The Cooperative is involved in various legal actions. In the opinion of Management, the outcome of such actions will not have material adverse effect on the financial position of the Cooperative.

# *Goulet, Salvidio & Associates, P.C.*

## *Certified Public Accountants*

---

James F. Goulet, CPA, MST  
Catherine A. Kuzmeskus, CPA

Michael A. Salvidio, CPA  
James R. Dube, CPA

### INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Municipal Light Board  
Princeton Municipal Light Department  
Princeton, Massachusetts 01541

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented on pages 30-37 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

*Goulet, Salvidio & Associates, P.C.*

Worcester, Massachusetts  
July 31, 2013

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION  
DECEMBER 31, 2012 AND 2011

ASSETS

	2012				2011			
	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
CURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Operating Fund								
Petty Cash	\$ 31,213	\$ 269,283	\$ 0	\$ 300,496	\$ 67,736	\$ 399,220	\$ 0	\$ 466,956
Customer Accounts Receivable, Net	800	0	0	800	800	0	0	800
Other Accounts Receivable	318,038	0	0	318,038	291,114	0	0	291,114
Materials and Supplies	103,585	405,270	(194,807)	314,048	101,360	75,000	(86,861)	89,499
Working Capital Balance on Deposit	175,760	0	0	175,760	188,131	0	0	188,131
Unbilled Revenue	249,370	0	(235,630)	13,740	249,081	0	(235,630)	13,451
Prepaid Expenses	0	479,158	(479,158)	0	0	637,268	(637,268)	0
	26,583	14,704	0	41,287	26,583	9,221	0	35,804
TOTAL CURRENT ASSETS	905,349	1,168,415	(909,595)	1,164,169	924,805	1,120,709	(959,759)	1,085,755
NONCURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Depreciation Fund	88,394	0	0	88,394	303,004	0	0	303,004
Customer Meter Deposits	36,146	0	0	36,146	36,621	0	0	36,621
Preliminary Survey and Investigation Charges	33,542	0	0	33,542	33,542	0	0	33,542
Advances to MMLD Wind Energy Cooperative Corporation	691,211	0	(691,211)	0	691,211	0	(691,211)	0
Deferred Interest Expense	3,589	0	0	3,589	7,184	0	0	7,184
Deferred Financing Costs, Net of Accumulated Amortization	0	19,707	0	19,707	0	22,631	0	22,631
Utility Plant Assets, Net	2,688,491	7,702,922	0	10,391,413	2,775,103	7,956,094	0	10,731,197
TOTAL NONCURRENT ASSETS	3,541,373	7,722,629	(691,211)	10,572,791	3,846,665	7,978,725	(691,211)	11,134,179
TOTAL ASSETS	\$ 4,446,722	\$ 8,891,044	\$ (1,600,806)	\$ 11,736,960	\$ 4,771,470	\$ 9,099,434	\$ (1,650,970)	\$ 12,219,934

See Independent Auditors' Report on Supplemental Information



PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2012 AND 2011

LIABILITIES AND NET ASSETS

	<u>2012</u>				<u>2011</u>			
	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
<b>CURRENT LIABILITIES:</b>								
Accounts Payable	\$ 932,330	\$ 140,370	\$ (673,965)	\$ 398,735	\$ 946,608	\$ 109,167	\$ (712,268)	\$ 343,507
Accounts Payable - MMWEC	0	1,127,704	(235,630)	892,074	0	1,097,759	(247,491)	850,268
Current Obligations under Capital Lease	24,943	0	0	24,943	44,587	0	0	44,587
Current Portion of Long-Term Debt	0	486,667	0	486,667	0	486,667	0	486,667
Accrued Expenses	32,796	55,747	0	88,543	26,350	74,835	0	101,185
<b>TOTAL CURRENT LIABILITIES</b>	<b>990,069</b>	<b>1,310,488</b>	<b>(909,595)</b>	<b>1,890,962</b>	<b>1,017,545</b>	<b>1,768,428</b>	<b>(959,759)</b>	<b>1,826,214</b>
<b>NONCURRENT LIABILITIES:</b>								
Obligations under Capital Lease	39,494	0	0	39,494	64,940	0	0	64,940
Deferred Rent	0	8,635	0	8,635	0	7,361	0	7,361
Long-Term Debt, Less Current Portion	0	5,353,332	0	5,353,332	0	5,839,999	0	5,839,999
Advances from Participants	0	691,211	(691,211)	0	0	691,211	(691,211)	0
Amounts Recoverable/Payable in the Future	(1,027,378)	1,027,378	0	0	(792,435)	792,435	0	0
Customer Meter Deposits	21,020	0	0	21,020	21,055	0	0	21,055
Net Other Postemployment Benefit Obligation	84,816	0	0	84,816	54,663	0	0	54,663
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>(882,048)</b>	<b>7,080,556</b>	<b>(691,211)</b>	<b>5,507,297</b>	<b>(651,777)</b>	<b>7,331,006</b>	<b>(691,211)</b>	<b>5,988,018</b>
<b>TOTAL LIABILITIES</b>	<b>108,021</b>	<b>8,891,044</b>	<b>(1,600,806)</b>	<b>7,398,259</b>	<b>365,768</b>	<b>9,099,434</b>	<b>(1,650,970)</b>	<b>7,814,232</b>
<b>NET POSITION:</b>								
Net Investment in Capital Assets	2,624,054	1,862,923	0	4,486,977	2,665,576	1,629,428	0	4,295,004
Unrestricted	1,714,647	(1,862,923)	0	(148,276)	1,740,126	(1,629,428)	0	110,698
<b>TOTAL NET POSITION</b>	<b>4,338,701</b>	<b>0</b>	<b>0</b>	<b>4,338,701</b>	<b>4,405,702</b>	<b>0</b>	<b>0</b>	<b>4,405,702</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,446,722</b>	<b>\$ 8,891,044</b>	<b>\$ (1,600,806)</b>	<b>\$ 11,736,960</b>	<b>\$ 4,771,470</b>	<b>\$ 9,099,434</b>	<b>\$ (1,650,970)</b>	<b>\$ 12,219,934</b>

See Independent Auditors' Report on Supplemental Information

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011				
	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
OPERATING REVENUES:								
Sales of Electricity	\$ 2,945,821	\$ 1,180,792	\$ (1,180,792)	\$ 2,945,821	\$ 3,026,516	\$ 1,109,624	\$ (1,109,624)	\$ 3,026,516
Other Operating Revenues	57,409	0	0	57,409	131,874	0	0	131,874
TOTAL OPERATING REVENUES	3,003,230	1,180,792	(1,180,792)	3,003,230	3,158,390	1,109,624	(1,109,624)	3,158,390
OPERATING EXPENSES:								
Operating and Maintenance	3,142,841	197,195	(1,180,792)	2,159,244	3,041,810	262,382	(1,109,624)	2,194,568
Depreciation	133,728	253,182	0	386,910	127,423	242,059	0	369,482
TOTAL OPERATING EXPENSES	3,276,569	450,377	(1,180,792)	2,546,154	3,169,233	504,441	(1,109,624)	2,564,050
OPERATING INCOME	(273,339)	730,415	0	457,076	(10,843)	605,183	0	594,340
NONOPERATING REVENUES (EXPENSES):								
Interest Income	1,055	0	0	1,055	306	0	0	306
Interest Expense	(16,032)	(321,146)	0	(337,178)	(9,592)	(360,575)	0	(370,167)
Disaster Recovery Revenue	(11,093)	0	0	(11,093)	349,576	0	0	349,576
Internet Services, Net Loss	0	0	0	0	(120,475)	0	0	(120,475)
Amortization of Debt Expense	0	(2,924)	0	(2,924)	0	(2,696)	0	(2,696)
Change in Amounts Payable in the Future	234,943	(234,943)	0	0	241,912	(241,912)	0	0
TOTAL NONOPERATING REVENUES (EXPENSES)	208,873	(559,013)	0	(350,140)	461,727	(605,183)	0	(143,456)
Income Before Extraordinary Items	(64,466)	171,402	0	106,936	450,884	0	0	450,884
Reimbursement for Extraordinary Wind Turbine Repairs	0	210,464	0	210,464	0	0	0	0
Extraordinary Wind Turbine Repairs	0	(381,866)	0	(381,866)	0	0	0	0
TOTAL EXTRAORDINARY ITEMS	0	(171,402)	0	(171,402)	0	0	0	0
Income (Loss) Before Contributions and Transfers	(64,466)	0	0	(64,466)	450,884	0	0	450,884
NET POSITION - JANUARY 1	4,405,702	0	0	4,405,702	3,960,043	0	0	3,960,043
Transfers Out - Services Rendered in Lieu of Taxes	(2,535)	0	0	(2,535)	(5,225)	0	0	(5,225)
NET POSITION - DECEMBER 31	\$ 4,338,701	\$ 0	\$ 0	\$ 4,338,701	\$ 4,405,702	\$ 0	\$ 0	\$ 4,405,702

See Independent Auditors' Report on Supplemental Information

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012				2011			
	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
CASH FLOW FROM OPERATING ACTIVITIES:								
Cash Received from Customers	\$ 2,961,022	\$ 1,008,632	\$ (1,008,632)	\$ 2,961,022	\$ 3,471,402	\$ 952,776	\$ (952,776)	\$ 3,471,402
Cash Paid to Suppliers	(2,547,824)	(140,256)	1,008,632	(1,679,448)	(2,511,112)	(151,675)	952,774	(1,710,013)
Cash Paid to Employees	(560,618)	0	0	(560,618)	(533,918)	0	0	(533,918)
Cash Received from Other Operating Activities	0	0	0	0	66,081	0	0	66,081
Services Rendered in Lieu of Taxes	(2,535)	0	0	(2,535)	(5,225)	0	0	(5,225)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(149,955)	868,376	0	718,421	487,228	801,101	(2)	1,288,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Borrowings from MMWEC	0	0	0	0	0	451,115	0	451,115
Additions to Utility Plant Assets	(47,116)	(10)	0	(47,126)	(218,064)	0	0	(218,064)
Net Extraordinary Repairs Revenues (Costs)	0	(171,402)	0	(171,402)	0	0	0	0
Disaster Recovery Income	1,933	0	0	1,933	336,552	0	0	336,552
Payments on Capital Lease	(45,090)	0	0	(45,090)	(148,304)	0	0	(148,304)
Interest Expense	(12,437)	0	0	(12,437)	(5,652)	0	0	(5,652)
Payments on BAN	0	0	0	0	(159,309)	0	0	(159,309)
Repayment on Long Term Debt	0	(486,667)	0	(486,667)	0	(486,668)	0	(486,668)
Interest Payments on Long Term Debt	0	(340,234)	2	(340,232)	0	(366,330)	0	(366,330)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(102,710)	(998,313)	2	(1,101,021)	(194,777)	(401,883)	0	(596,660)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	1,055	0	0	1,055	306	0	0	306
NET INCREASE (DECREASE) IN CASH	(251,610)	(129,937)	2	(381,545)	292,757	399,218	(2)	691,973
CASH, BEGINNING OF YEAR	408,163	399,220	(2)	807,381	115,406	2	0	115,408
CASH, END OF YEAR	\$ 156,553	\$ 269,283	\$ 0	\$ 425,836	\$ 408,163	\$ 399,220	\$ (2)	\$ 807,381

See Independent Auditors' Report on Supplemental Information

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011				
	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ (273,339)	\$ 730,415	\$ 0	\$ 457,076	\$ (10,843)	\$ 605,183	\$ 0	\$ 594,340
Depreciation of Utility Property	133,728	253,182	0	386,910	127,423	242,059	0	369,482
Depreciation and Amortization of Internet Property	0	0	0	0	90,758	0	0	90,758
Other Non-Operating Loss	0	0	0	0	(24,677)	0	0	(24,677)
Services Rendered in Lieu of Taxes	(2,535)	0	0	(2,535)	(5,225)	0	0	(5,225)
Allowance for Doubtful Accounts	0	0	0	0	(5,000)	0	0	(5,000)
Changes in Assets and Liabilities:								
(Increase) Decrease in Assets:								
Customer Accounts Receivable	(26,924)	0	0	(26,924)	68,420	0	0	68,420
Other Accounts Receivable	(15,249)	(330,270)	194,807	(150,712)	146,560	(75,000)	75,000	146,560
Materials and Supplies	12,371	0	0	12,371	(15,438)	0	0	(15,438)
Prepaid Expenses	0	(5,483)	0	(5,483)	(7,297)	1,349	0	(5,948)
Unbilled Revenue	(293)	158,110	(158,110)	(293)	0	(81,848)	81,848	0
Increase (Decrease) in Liabilities:								
Accounts Payable	(14,278)	31,203	(36,697)	(19,772)	111,015	82,451	(156,850)	36,616
Accounts Payable - MMWEC	0	29,945	0	29,945	0	25,435	0	25,435
Accrued Expenses	6,446	0	0	6,446	(9,464)	0	0	(9,464)
Net Other Postemployment Benefit Obligation	30,153	0	0	30,153	18,221	0	0	18,221
Deferred Rent	0	1,274	0	1,274	0	1,472	0	1,472
Meter Deposit Liability	(35)	0	0	(35)	2,775	0	0	2,775
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (149,955)	\$ 868,376	\$ 0	\$ 718,421	\$ 487,228	\$ 801,101	\$ (2)	\$ 1,288,327

See Independent Auditors' Report on Supplemental Information

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF ELECTRIC UTILITY PLANT IN SERVICE  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
Capital assets not being depreciated:								
Wind farm construction in progress	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Land	56,870	0	0	56,870	56,870	0	0	56,870
Total capital assets not being depreciated	56,870	0	0	56,870	56,870	0	0	56,870
Capital assets being depreciated:								
Generation plant	8,457,817	7	0	8,457,824	8,457,817	0	0	8,457,817
Distribution plant	3,066,382	43,063	(51,701)	3,057,744	2,863,410	211,005	(8,033)	3,066,382
General plant	1,391,090	4,056	0	1,395,146	1,384,031	7,059	0	1,391,090
Internet plant	0	0	0	0	907,572	0	(907,572)	0
Total capital assets being depreciated	12,915,289	47,126	(51,701)	12,910,714	13,612,830	218,064	(915,605)	12,915,289
Less accumulated depreciation for:								
Generation plant	(501,723)	(253,182)	0	(754,905)	(259,664)	(242,059)	0	(501,723)
Distribution plant	(842,981)	(55,656)	51,701	(846,936)	(802,402)	(48,612)	8,033	(842,981)
General plant	(896,258)	(78,072)	0	(974,330)	(817,447)	(78,811)	0	(896,258)
Internet plant	0	0	0	0	(721,016)	(90,758)	811,774	0
Total accumulated depreciation	(2,240,962)	(386,910)	51,701	(2,576,171)	(2,600,529)	(460,240)	819,807	(2,240,962)
Capital assets being depreciated, net	10,674,327	(339,784)	0	10,334,543	11,012,301	(242,176)	(95,798)	10,674,327
Utility plant assets, net	\$ 10,731,197	\$ (339,784)	\$ 0	\$ 10,391,413	\$ 11,069,171	\$ (242,176)	\$ (95,798)	\$ 10,731,197

See Independent Auditors' Report on Supplemental Information

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF ELECTRIC OPERATING AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
POWER SUPPLY EXPENSE:		
Purchased Power	\$ 887,095	\$ 930,443
Transmission by Others	77,666	109,415
	<u>964,761</u>	<u>1,039,858</u>
TOTAL POWER SUPPLY EXPENSE		
	<u>964,761</u>	<u>1,039,858</u>
DISTRIBUTION EXPENSES:		
Operation Labor	64,296	46,999
Operation Supplies and Expenses	68,358	64,097
Maintenance of Overhead Lines	129,077	83,254
Maintenance of Structures/Equipment	3,703	12,501
Maintenance of Line Transformers	2,616	1,469
Maintenance of Meters	3,402	4,533
Maintenance of Street Lights	3,579	4,047
	<u>275,031</u>	<u>216,900</u>
TOTAL DISTRIBUTION EXPENSES		
	<u>275,031</u>	<u>216,900</u>
CUSTOMER ACCOUNT EXPENSES:		
Meter Reading	13,521	10,531
Accounting and Collection Expense	81,750	65,279
Energy Audits	6,471	7,949
	<u>101,742</u>	<u>83,759</u>
TOTAL CUSTOMER ACCOUNT EXPENSES		
	<u>101,742</u>	<u>83,759</u>
ADMINISTRATIVE AND GENERAL EXPENSES:		
Advertising	775	1,285
Administration and General Salaries	172,530	163,957
Financial Services	5,000	0
Land Lease	8,061	8,061
Office Supplies and Expenses	27,509	22,437
Outside Services Employed	120,126	143,827
Property Insurance	74,957	70,608
Injuries and Damages	26,408	56,282
Employee Benefits	212,387	192,174
Miscellaneous General Expense	4,575	6,081
Maintenance of General Plant	165,382	189,339
	<u>817,710</u>	<u>854,051</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES		
	<u>817,710</u>	<u>854,051</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 2,159,244</u>	<u>\$ 2,194,568</u>

See Independent Auditors' Report on Supplemental Information

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY  
SCHEDULES OF SALES OF ELECTRICITY  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
	2012	2011	Increases (Decreases)	2012	2011	Increases (Decreases)	2012	2011
Sales of Electricity								
Residential Sales, Net of Discounts of \$86,269 and \$87,913 in 2012 and 2011, Respectively	\$ 2,440,483	\$ 2,494,641	\$ (54,158)	12,361,117	12,508,847	(147,730)	\$ 0.19743	\$ 0.19943
Commercial and Industrial Sales	327,632	314,597	13,035	1,626,028	1,524,857	101,171	0.20149	0.20631
Special Street Lighting	14,300	14,166	134	61,990	61,600	390	0.23068	0.22997
Total Private Customers	2,782,415	2,823,404	(40,989)	14,049,135	14,095,304	(46,169)	0.19805	0.20031
Municipal Sales								
Street Lighting	9,660	9,404	256	46,871	45,635	1,236	0.20610	0.20607
Municipal Buildings	98,844	93,399	5,445	495,175	471,537	23,638	0.19961	0.19807
Total Municipal Sales	108,504	102,803	5,701	542,046	517,172	24,874	0.20017	0.19878
Sales for Resale	54,902	100,309	(45,407)	720,767	1,316,918	(596,151)	0.07617	0.07617
Total Sales of Electricity	\$ 2,945,821	\$ 3,026,516	\$ (80,695)	15,311,948	15,929,394	(617,446)	\$ 0.19239	\$ 0.19000

See Independent Auditors' Report on Supplemental Information