

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
AND SUBSIDIARY**
Financial Statements
December 31, 2015 and 2014

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Princeton Municipal Light Department and Subsidiary as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements 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 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.

Auditors' 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 respective financial position of the Princeton Municipal Light Department and Subsidiary as of December 31, 2015 and 2014, and the respective changes in financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Princeton Municipal Light Department and Subsidiary and do not purport to, and do not, present fairly the financial position of the Town of Princeton, Massachusetts, as of December 31, 2015 and 2014, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits information, and Net Pension Liability information on pages three through seven and 31 through 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 34 through 39 are presented for purposes of additional analysis and are 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 to 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 to the financial statements as a whole.

Goulet, Salvadio & Associates, P.C.

Goulet, Salvadio & Associates, P.C.

Worcester, Massachusetts
March 30, 2016

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, 2015 and 2014. 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, 2015, it shows our net position was \$3,666,187, an increase of \$269,383 over 2014.

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, 2015 and 2014 was \$272,363 and \$137,997, 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

	2015	2014 (As Revised)
Current Assets	\$ 2,462,346	\$ 985,817
Noncurrent Assets	<u>9,899,235</u>	<u>9,877,214</u>
Total Assets	12,361,581	10,863,031
Deferred Outflows of Resources	<u>42,269</u>	<u>46,258</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 12,403,850</u>	<u>\$ 10,909,289</u>
Current Liabilities	\$ 7,113,970	\$ 1,584,096
Noncurrent Liabilities	<u>1,623,693</u>	<u>5,917,822</u>
Total Liabilities	<u>8,737,663</u>	<u>7,501,918</u>
Deferred Inflows of Resources	<u>0</u>	<u>10,567</u>
Net Position:		
Net Investment in Capital Assets	2,701,879	4,852,921
Net Position Restricted for Depreciation	413,511	118,435
Unrestricted	<u>550,797</u>	<u>(1,574,552)</u>
Total Net Position	<u>3,666,187</u>	<u>3,396,804</u>
Total Liabilities and Net Position	<u>\$ 12,403,850</u>	<u>\$ 10,909,289</u>

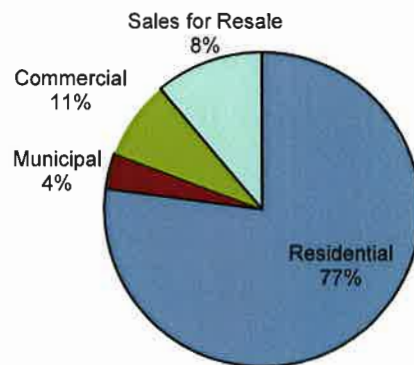
Summary of Changes in Net Position

	2015	2014 (As Revised)
Operating Revenues	\$ 3,834,995	\$ 3,459,158
Operating Expenses	<u>3,467,313</u>	<u>3,094,827</u>
Operating Income	367,682	364,331
Nonoperating (Expenses) Revenues	<u>(95,319)</u>	<u>(226,334)</u>
Increase in Net Position before Transfers	272,363	137,997
Net Position, January 1	3,396,804	3,264,084
Transfer Out – Services Rendered in Lieu of Taxes (See “Services to Town” on p.6)	<u>(2,980)</u>	<u>(5,277)</u>
Net Position, December 31	<u>\$ 3,666,187</u>	<u>\$ 3,396,804</u>

Financial Highlights

The Princeton Municipal Light Department (PMLD) is a non-profit public service corporation, whose primary goal is to provide reliable and cost effective electric service to the residents and businesses of the Town of Princeton MA. PMLD has operated in Princeton since 1912. PMLD is a Town asset, working as a separate governmental unit under the regulations and oversight of the Department of Public Utilities, with its own Board of Light Commissioners, policies, and budget serving the needs and providing value to our ratepayers.

Source of Operating Revenues



Reliability

Delivering and maintaining reliable energy to every customer in Princeton is one of PMLD's main goals. PMLD completed many upgrade projects to the electric distribution system, such as new utility poles, wires, and hardware; and the continued conversion of our main distribution lines from 4800 volts to 13800 volts. The total number of town wide outages on the PMLD distribution side of the Town Meter was one (1) in 2015 as the result of a large tree breaking the conductors on the main feed on Mountain Road. Power was restored to the Town within two (2) hours of the incident. PMLD will continue to rebuild and strengthen the distribution system with new equipment and a comprehensive tree trimming program that has proven successful. PMLD is committed to keeping the lights on and those rare occasions that the lights go out, we are committed to as quick a response and restoration of the electric service as possible.

Vegetation Management Plan

PMLD, in conjunction with the Town Tree Warden, has in place a Vegetation Management Plan for the Town. The plan clearly divides the Town into five (5) tree trimming cycles. An individual cycle will be identified on any given year as the area of focused tree trimming and tree removal for that given year. It is our desire that this will allow the residents of Princeton to know where PMLD is trimming and give PMLD an organized method for tree removal and maintenance tree trimming. PMLD also hired an outside contractor, All Reliable Services ("ARS") to perform vegetation management services on eleven (11) roads identified by PMLD as areas requiring immediate attention. PMLD was very pleased with the level of work and professionalism provided by ARS.

Electric Customers and Rates

PMLD provided service to 1,353 residential, 18 solar residential, 7 Farm, 69 commercial, 2 commercial solar, and 19 municipal customers as of December 2015. Residential customers consume approximately 77% of the town's total energy use. All of PMLD's customers consumed approximately 15 million kWh of energy in 2015, and the average home consumes approximately 800 kWh per month.

The average home in Princeton spends approximately \$190.00 per month on electricity. PMLD's number one priority is to maintain the lowest possible rates, while providing the most reliable electric service possible. PMLD is committed to finding ways to stabilize and/or reduce rates. PMLD's rates are based on a formal rate study performed by an outside organization. PMLD's rates are currently lower than what has been recommended by the rate study group. PMLD's Board of Commissioners and management continue to work diligently to keep the rate as low as possible.

Wind Farm

The Princeton Wind Farm operated at a 28% capacity factor in 2015 producing just under five thousand (5,000) MWh's of energy. PMLD continues to work hard to maintain the turbines and keep them operational. PMLD's Linemen (also certified Wind Technicians) do all of the maintenance and repairs.

Wind Farm (continued)

In March of 2015, PMLD officially purchased the asset from the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation. This allowed PMLD to secure a short term interest only loan at 1.75% and to significantly lower our insurance premiums and auditing costs associated with the wind farm. In mid-December 2015 the North turbine was shut down due to a broken gear in the gear box. Repairs estimated at sixty thousand (\$60,000) will be performed in the first quarter of 2016.

Service to Town

In addition to providing the lowest cost possible and reliable energy, PMLD performed other services for the Town in 2015 for the benefit of our customers, such as:

- Installed holiday decorations, holiday lights, United States Flags and other banners and signs on the Town Common and Mechanics Hall.
- Sponsored electrical safety classes for the students at the Thomas Prince School.
- Offered appliance rebates for energy efficient refrigerators, freezers, clothes washers, dishwashers, air conditioners, air purifiers, heat pump water heaters and dehumidifiers.
- PMLD assisted various Town departments as needed for use of a bucket truck and/or our assistance with tree removals and building repairs.
- PMLD provided expertise to the Board of Selectmen's Broadband initiative in Town.
- PMLD provided tree trimming and utility pole relocations to the Town at a cost to PMLD of \$56,000 to assist the Town in the Route 140 rebuild project that is to be completed in 2016.

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 for 2015 and 2014 was 108,861 kWh. PMLD billed the Town of Princeton \$9,614 and \$9,595 in FY2015 and FY2014 for the annual cost of town-owned street lights.

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.

Rate Stabilization Fund

The Department established a rate stabilization fund which is managed by the Town of Princeton Treasurer. This fund can be used to pay for any need or emergency of the Department that would otherwise require a rate increase.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2015	2014 (As Revised)
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 1,054,569	\$ 238,724
Funds on Deposit with MMWEC		
Pooled Financing Reserve	693,751	0
Petty Cash	800	800
Customer Accounts Receivable, Net	364,153	364,471
Other Accounts Receivable	121,591	155,301
Materials and Supplies	173,362	160,170
Working Capital Balance on Deposit	33,590	13,784
Prepaid Expenses	20,530	52,567
	<u>2,462,346</u>	<u>985,817</u>
TOTAL CURRENT ASSETS		
	<u>2,462,346</u>	<u>985,817</u>
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	413,511	118,435
Customer Meter Deposits	28,855	24,643
Utility Plant Assets, Net	9,456,869	9,734,136
	<u>9,899,235</u>	<u>9,877,214</u>
TOTAL NONCURRENT ASSETS		
	<u>9,899,235</u>	<u>9,877,214</u>
TOTAL ASSETS		
	<u>12,361,581</u>	<u>10,863,031</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Interest Expense	0	167
Deferred Outflows of Resources Related to Pensions	42,269	46,091
	<u>42,269</u>	<u>46,258</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		
	<u>42,269</u>	<u>46,258</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,403,850</u>	<u>\$ 10,909,289</u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2015	2014 (As Revised)
CURRENT LIABILITIES:		
Accounts Payable	\$ 310,067	\$ 143,536
Accounts Payable - MMWEC	0	856,986
Current Obligations under Capital Lease	0	14,550
Current Portion of Long-Term Debt	0	486,667
Pooled Financing Loan	6,754,990	0
Accrued Expenses	48,913	82,357
TOTAL CURRENT LIABILITIES	7,113,970	1,584,096
NONCURRENT LIABILITIES:		
Long-Term Debt, Less Current Portion	0	4,379,998
Customer Meter Deposits	26,635	22,425
Net Pension Liability	1,401,952	1,368,787
Net Other Postemployment Benefit Obligation	195,106	146,612
TOTAL NONCURRENT LIABILITIES	1,623,693	5,917,822
TOTAL LIABILITIES	8,737,663	7,501,918
DEFERRED INFLOWS OF RESOURCES:		
Deferred Rent	0	10,567
NET POSITION:		
Net Investment in Capital Assets	2,701,879	4,852,921
Net Position Restricted for Depreciation	413,511	118,435
Unrestricted Net Position	550,797	(1,574,552)
TOTAL NET POSITION	3,666,187	3,396,804
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 12,403,850	\$ 10,909,289

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, 2015 AND 2014

	2015	2014 (As Revised)
OPERATING REVENUES:		
Sales of Electricity	\$ 3,778,637	\$ 3,415,881
Other Operating Revenues	<u>56,358</u>	<u>43,277</u>
TOTAL OPERATING REVENUES	<u>3,834,995</u>	<u>3,459,158</u>
OPERATING EXPENSES:		
Operating and Maintenance	3,078,174	2,707,117
Depreciation	<u>389,139</u>	<u>387,710</u>
TOTAL OPERATING EXPENSES	<u>3,467,313</u>	<u>3,094,827</u>
OPERATING INCOME	<u>367,682</u>	<u>364,331</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	5,490	318
Interest Expense	(210,049)	(226,652)
Changes in Amounts Payable in the Future	<u>109,240</u>	<u>0</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(95,319)</u>	<u>(226,334)</u>
Income Before Contributions and Transfers	272,363	137,997
NET POSITION - JANUARY 1	3,396,804	3,264,084
Transfers Out - Services Rendered in Lieu of Taxes	<u>(2,980)</u>	<u>(5,277)</u>
NET POSITION - DECEMBER 31	<u>\$ 3,666,187</u>	<u>\$ 3,396,804</u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014 (As Revised)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 3,874,029	\$ 3,372,237
Cash Paid to Suppliers	(1,814,452)	(2,270,868)
Cash Paid to Employees	(551,872)	(524,509)
Services Rendered In Lieu of Taxes	(2,980)	(5,277)
	<u>1,504,725</u>	<u>571,583</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Utility Plant Assets	(111,872)	(69,025)
Payments on Capital Lease	(14,550)	(24,943)
Interest Expense	(80,625)	(9,496)
Repayment on Long-Term Debt	(103,923)	(486,667)
Interest Payments on Long-Term Debt	(84,112)	(220,164)
	<u>(395,082)</u>	<u>(810,295)</u>
Net Cash Used in Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	4,703	90
Net Transfer from Operations	(294,289)	(10,000)
	<u>(289,586)</u>	<u>(9,910)</u>
Net Cash Used in Investing Activities		
NET INCREASE (DECREASE) IN CASH	820,057	(248,622)
CASH, BEGINNING OF YEAR	<u>264,167</u>	<u>512,789</u>
CASH, END OF YEAR	<u>\$ 1,084,224</u>	<u>\$ 264,167</u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014 (As Revised)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 367,682	\$ 364,331
Depreciation of Utility Property	389,139	387,710
Disbursements from Pooled Financing	197,391	0
Services Rendered In Lieu of Taxes	(2,980)	(5,277)
Changes in Assets and Liabilities:		
(Increase)Decrease in Assets:		
Customer Accounts Receivable	318	(17,192)
Other Accounts Receivable	214,602	(6,712)
Materials and Supplies	(13,192)	(7,339)
Prepaid Expenses	32,037	(8,497)
Deferred Outflows of Resources	3,822	0
Working Capital Balance on Deposit	237,178	0
Increase(Decrease) in Liabilities:		
Accounts Payable	(127,419)	(177,612)
Accounts Payable - MMWEC	0	4,526
Accrued Expenses	11,038	3,645
Net Pension Liability	33,165	0
Net Other Postemployment Benefit Obligation	48,494	31,643
Deferred Rent	0	827
Amounts Recoverable in the Future	109,240	0
Meter Deposit Liability	4,210	1,530
Net Cash Provided by Operating Activities	<u>\$ 1,504,725</u>	<u>\$ 571,583</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:

	2015	2014 (As Revised)
Operating Fund	\$ 1,054,569	\$ 238,724
Customer Meter Deposits	28,855	24,643
Petty Cash	800	800
	<u>\$ 1,084,224</u>	<u>\$ 264,167</u>

See Accompanying Notes to Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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). 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.

Basis of Consolidation

The consolidated financial statements include the accounts of the Princeton Municipal Light Department and its divisible share of its subsidiary, Massachusetts Municipal Light Department Wind Energy Cooperative Corporation (the "Cooperative"). Intercompany transactions have been eliminated.

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, 2015 and 2014 is \$37,411 and \$34,421, respectively.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 prior year amounts have been reclassified to conform to the 2015 presentation.

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, 2015 and 2014 the allowance for doubtful accounts balance was \$5,000.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow/inflow of resources (expense/expenditure) until then.

Financial Statement Revision

The Department revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year total net position by \$1,322,695.

NOTE 2 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required to be implemented for periods beginning after June 15, 2017. The Light Department is currently evaluating the effect this pronouncement will have on the basic financial statements.

NOTE 3 – UNBILLED REVENUE:

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

NOTE 4 – OTHER ACCOUNTS RECEIVABLE:

Other accounts receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Jobbing	\$ 23,753	\$ 21,053
Other Energy Sales	18,867	39,197
Wind Renewable Energy Credits	<u>78,971</u>	<u>95,051</u>
Total	<u>\$ 121,591</u>	<u>\$ 155,301</u>

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – RELATED PARTIES:

The Light Department bills the Town of Princeton for electric light usage. The amount included in revenue was \$140,838 and \$117,995 for December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014 accounts receivable from these departments was \$9 and \$0, 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, 2015 and 2014, the total amounts paid for these services were \$192,531 and \$187,901, respectively. At December 31, 2015 and 2014, amounts payable to the town were \$15,369 and \$16,628, respectively.

NOTE 6 – 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, 2015 and 2014, the total advanced to the Cooperative was \$0 and \$691,211, respectively.

NOTE 7 – PREPAID EXPENSES:

Prepayments consist of the following:

	<u>2015</u>	<u>2014</u>
Prepaid Insurance Premium	\$ 12,426	\$ 29,904
Prepaid Purchased Power	8,104	7,284
Prepaid Billing Software	<u>0</u>	<u>15,379</u>
Total	<u>\$ 20,530</u>	<u>\$ 52,567</u>

NOTE 8 – 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 future costs related to such commitments which the Municipal Light Board determines are above market value.

NOTE 9 – 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
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NOTE 9 – PURCHASED POWER WORKING CAPITAL (Continued):

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, 2015 and 2014 is \$33,590 and \$13,784, respectively.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS:

	2015	2014
Cost of Capital Assets Acquired	\$ 11,827,233	\$ 13,046,419
Less: Accumulated Depreciation	2,370,364	3,312,283
Less: Outstanding Debt Related to Capital Assets	<u>6,754,990</u>	<u>4,881,215</u>
Net Investment in Capital Assets	<u>\$ 2,701,879</u>	<u>\$ 4,852,921</u>

NOTE 11 – UTILITY PLANT ASSETS:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
Capital Assets not being Depreciated:				
Land	\$ 74,835	-	-	\$ 74,835
Construction In Progress	<u>290</u>	<u>-</u>	<u>-</u>	<u>290</u>
Total Capital Assets Not Being Depreciated	<u>75,125</u>	<u>-</u>	<u>-</u>	<u>75,125</u>
Capital Assets Being Depreciated:				
Generation Plant	8,439,859	-	-	8,439,859
Distribution Plant	3,111,851	58,955	(6,459)	3,164,347
General Plant	<u>1,419,584</u>	<u>52,917</u>	<u>-</u>	<u>1,472,501</u>
Total Capital Assets being Depreciated	<u>12,971,294</u>	<u>111,872</u>	<u>(6,459)</u>	<u>13,076,707</u>
Less Accumulated Depreciation for:				
Generation Plant	(1,261,301)	(253,196)	-	(1,514,497)
Distribution Plant	(958,577)	(117,499)	6,459	(1,069,617)
General Plant	<u>(1,092,405)</u>	<u>(18,444)</u>	<u>-</u>	<u>(1,110,849)</u>
Total Accumulated Depreciation	<u>(3,312,283)</u>	<u>(389,139)</u>	<u>6,459</u>	<u>(3,694,963)</u>
Capital Assets being depreciated, net	<u>9,659,011</u>	<u>(277,267)</u>	<u>-</u>	<u>9,381,744</u>
Utility Plant Assets, Net	<u>\$ 9,734,136</u>	<u>\$ (277,267)</u>	<u>\$ -</u>	<u>\$ 9,456,869</u>

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – PENSION PLAN:

Plan Description-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 cost-sharing multiple-employer 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. 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.

Benefits Provided-The System provides retirement, disability and death benefits to plan members and beneficiaries. 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 member's highest three-year average annual rate of regular compensation. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

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 if hired after 1978 and if classified in group 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 55 years of age with 10 years of service if in group 2, and 55 years of age if classified in group 4 or hired prior to 1978. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – PENSION PLAN (Continued):

Contributions- Active members are required to contribute at rates from 5-9% 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. The Department is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined Department contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. The Department's required contribution to the System for the year ended December 31, 2015 was \$93,105, which was paid in calendar year 2014.

Pension Liabilities- At December 31, 2015, the Light Department reported a liability of \$1,401,952 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating member units. At December 31, 2014, the Town's proportion was 0.87%. The Department's portion of the net pension liability was based on the percentage of the Department's payroll to the total Town's payroll as of the measured date of December 31, 2014. At December 31, 2014, the Department's portion was 27.13% of the Town's total payroll.

Pension Expense- For the year ended December 31, 2015 the Department recognized a pension expense of \$125,427. For the year ended December 31, 2015, the Department reported deferred outflows of resources related to pensions of \$42,269, consisting of the differences between projected and actual investment earnings which amounted to \$843 and the amount paid for contributions made subsequent to the measurement date which amounted to \$41,426. Additionally, the changes in proportion of differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements #68 and #71.

The Department's net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2016	\$	41,637
2017		211
2018		211
2019		<u>210</u>
Total	\$	<u>42,269</u>

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – PENSION PLAN (Continued):

Actuarial Assumptions-The total pension liability as of December 31, 2015 was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	<p><i>Unfunded Actuarial Accrued Liability (UAL):</i> Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035.</p> <p><i>Early Retirement Incentive Programs (ERI) for 2002 and 2003:</i> Increasing dollar amount at 4.5% to reduce the unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2028.</p> <p><i>Early Retirement Incentive Program (ERI) for 2010:</i> Level dollar amount to reduce the Unfunded Actuarial Accrued Liability attributable to ERI to zero on or before June 30, 2022.</p>
Remaining Amortization Period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset Valuation Method	<p>The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ol style="list-style-type: none"> a. 80% of gains and losses of the prior year, b. 60% of gains and losses of the second prior year, c. 40% of gains and losses of the third prior year and d. 20% of gains and losses of the fourth prior year
Inflation Rate	Not explicitly assumed
Projected Salary Increases	The assumed rates for salary increases including longevity is 3%
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$480 per year. Previously, capped at \$420.
Rates of Retirement	Varies based upon age for general employees, police and fire employees.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 – PENSION PLAN (Continued):

Actuarial Assumptions (Continued):

Mortality Rates:

Healthy Retirees	RP-2000 Mortality Table Projected to 2014 with Scale AA.
Disabled Retirees	RP-2000 Mortality Table set forward two years for disabled members.

Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation
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Annuity Savings Fund Interest Rate	2.00% per year
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Investment Policy- The Plan's asset allocation policies are established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

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 pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of December 31, 2014 are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	43%	8.23%
Fixed Income	23%	5.05%
Private Equity	10%	9.75%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	6.88%
Hedge Funds	10%	7.00%

Discount Rate- The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – PENSION PLAN:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Proportionate share of the Net Pension Liability	\$ 1,706,936	\$ 1,401,952	\$ 1,142,973

Pension Plan Fiduciary Net Position- Detailed information about the pension plan's fiduciary net position is available in the separately issued Worcester Regional Retirement System financial report.

NOTE 13 – 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 Massachusetts Municipal Self-Insurance Trust (the Trust) with 17 other municipalities for the purpose of sharing excess liability and officers' liability risks. General liability coverage provides for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Department. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by both the Department and the Trust. Each participating municipality contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims over 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, 2015 and 2014, the Light Department considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 14 – 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (Continued):

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, 2015, PMLD's membership consisted of the following:

Current retirees, beneficiaries	3
Current active members	<u>6</u>
Total	<u><u>9</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 \$88,186 and \$88,646 for the years ended December 31, 2015 and 2014, 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.

Funded Status and Funding Progress. Actuarial valuations 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 revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Legislature was passed allowing Municipal Light Departments to create a trust, in order to fund their OPEB obligation. As of December 31, 2015, 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 of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 table on the following page shows the components of the Light Department's annual OPEB costs for the years ending December 31, 2015 and 2014 the amount actually contributed to the plan and changes in the Department's net OPEB obligation as of July 1, 2015.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 – OTHER POST EMPLOYMENT BENEFITS:

	<u>2015</u>	<u>2014</u>
Normal cost	\$ 26,203	\$ 21,069
Amortization of unfunded actuarial accrued liability	<u>22,610</u>	<u>21,438</u>
Annual required contribution	48,813	42,507
Interest on net OPEB obligation	5,864	3,457
Adjustments to annual required contribution	(8,152)	(4,053)
Amortization of Actuarial (Gains) / Losses	<u>11,571</u>	<u>0</u>
Annual OPEB expense	58,096	41,911
Expected benefit payments	<u>(9,602)</u>	<u>(10,268)</u>
 Increase in net OPEB obligation	 48,494	 31,643
 Net OPEB obligation, Beginning of year	 <u>146,612</u>	 <u>114,969</u>
 Net OPEB obligation, End of year	 <u>\$ 195,106</u>	 <u>\$ 146,612</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>
2013	\$ 41,388	27%	\$ 114,969
2014	\$ 41,911	25%	\$ 146,612
2015	\$ 58,096	17%	\$ 195,106

The funded status is as follows:

Actuarial accrued liability (AAL)	\$ 566,619
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	<u>\$ 566,619</u>
 Funded ratio (actuarial value of plan assets/AAL)	 0%
 Covered payroll (active plan members)	 \$ 551,872
 UAAL as a percentage of covered payroll	 102.67%

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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
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NOTE 14 – OTHER POST EMPLOYMENT BENEFITS:

As of July 1, 2015, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 5%. The actuarial value of assets was determined using the market value of investments. The Light Department's unfunded actuarial accrued liability is being amortized each year as an open 30 year level dollar basis.

NOTE 15 – LEASE OBLIGATIONS:

In August 2008, PMLD entered into a lease agreement of seven years to lease a material handler/bucket truck. The lease ran through August 2015. There are no future payments due for the lease obligation as of December 31, 2015.

NOTE 16 – POOLED FINANCING LOAN:

As of March 20, 2015 PMLD entered into a Pooled Loan Program Agreement with the Massachusetts Municipal Wholesale Electric Company ("MMWEC") for the purpose of financing the purchase of wind generation facilities from the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation. Interest only is due monthly at a fixed interest rate of 1.75% per annum. The outstanding principal balance as of December 31, 2015 was \$6,754,990.

At the inception of the loan, MMWEC was required to collect 10% of the initial borrowing amount to be deposited into a Reserve Requirement Account to serve as collateral for the bank. MMWEC is also required to collect 10% of the amount of interest due monthly from each Pooled Loan Participant to further fund the Reserve Requirement Account. These funds will either be returned to PMLD, or used as the final loan payments at the end of the amortization period. The balance in the Reserve Requirement Account as of December 31, 2015 was \$693,751.

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 1). 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.

Princeton Municipal Light Department has entered into contractual agreements with NextEra Energy to secure energy at fixed prices. The totals shown below reflect the sum of the contractual obligations for the contract.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued):

The estimated contractual entitlements are as follows:

For the years ended December 31,	2016	\$	1,179,708
	2017		1,186,978
	2018		1,198,875
	2019		898,080
	2020		951,680
	2021-2023		<u>3,045,280</u>
	Total	\$	<u>8,460,601</u>

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:

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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

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.

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, 2015 and 2014. The estimated fair values have been determined through information obtained from market sources and management estimates.

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 2015 and 2014 was \$63,299 and \$253,196, respectively.

Taxes

The Cooperative is exempt from federal income taxes.

Advances from Princeton Municipal Light Department

PMLD had 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. As of December 31, 2014, the advance of \$691,211 was classified as long term as repayment was not anticipated within one year. There were no specific repayment terms. As of December 31, 2015, the balance was zero as PMLD transferred the assets and liabilities to Princeton Municipal Light Department.

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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

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 which is reflected as either a deferred inflow or outflow of resources in the accompanying statements of net position. 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 PMLD. 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.

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:

	2015		2014	
	Carrying Value	Bank Value	Carrying Value	Bank Value
Checking Account	\$ 0	\$ 0	\$ 225,650	\$ 226,213

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2015 presentation.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Related Parties:

The accounting records for the Princeton facility are maintained by the staff at the Princeton Municipal Light Department.

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. This contract was terminated in 2015.

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.

The Cooperative entered into a maintenance service agreement with PMLD on April 10, 2013, under which Princeton Municipal Light Department is to provide maintenance service on behalf of the Cooperative to the Princeton facilities. During the years ended December 31, 2015 and 2014, the Cooperative incurred charges of \$0 and \$38,599 which were paid by PMLD, respectively, for costs related to the Princeton Facilities. The Cooperative has an outstanding balance due to PMLD of \$0 and 691,211 at December 31, 2015 and 2014, respectively. This contract was terminated in 2015.

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. This agreement was terminated in 2015.

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 had a fixed interest rate of 5.5% per annum which was modified on November 15, 2012 to a new rate of 4.25%.

Principal was 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Debt (continued):

The Term Loan was 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, 2015 and 2014, the Cooperative had \$0 and \$4,866,665, respectively, outstanding on the Term Loan. This Term Loan was paid off during 2015 when Princeton Municipal Light Department signed a pooled loan agreement with the Massachusetts Municipal Wholesale Electric Company to refinance the Princeton Wind Farm outside of the Cooperative.

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 required monthly lease payments initially of \$500, escalating at a rate of 3% per year. The total amount of rent expense was being recognized using the straight line method over the term of the lease agreement.

The Cooperative had recorded a deferred lease obligation to reflect the excess of lease expense over cash payments since the inception of the lease. Effective February 2015, the lease agreement was terminated and there are no future minimum commitments.

Annual lease payments for the years ended December 31, 2015 and 2014 were \$0 and \$6,990, respectively. Lease expense for the years ended December 31, 2015 and 2014 was \$0 and \$7,991, respectively.

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.

NOTE 20 – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through March 30, 2016, the date on which the financial statements were available to be issued. Effective March 2016, Princeton Municipal Light Department terminated its membership with the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	For the Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
4/29/2010	12/31/2009	\$ -	\$ 207,257	\$ 207,257	0.00%	\$ 459,400	45.11%
4/29/2010	12/31/2010	\$ -	\$ 207,257	\$ 207,257	0.00%	\$ 459,400	45.11%
4/29/2010	12/31/2011	\$ -	\$ 207,257	\$ 207,257	0.00%	\$ 533,918	38.82%
7/1/2012	12/31/2012	\$ -	\$ 554,951	\$ 554,951	0.00%	\$ 539,482	102.87%
7/1/2012	12/31/2013	\$ -	\$ 554,951	\$ 554,951	0.00%	\$ 552,354	100.47%
7/1/2012	12/31/2014	\$ -	\$ 554,951	\$ 554,951	0.00%	\$ 524,509	105.80%
7/1/2015	12/31/2015	\$ -	\$ 566,619	\$ 566,619	0.00%	\$ 551,872	102.67%

Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Actuarial Methods:

Valuation date	7/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	30-year level dollar basis
Remaining Amortization Period	23 years

Actuarial Assumptions:

Assumed Retirement Age	55
Discount Rate	4.00%
Inflation Rate	2.50%
Projected salary increases	3.00%
Medical/drug cost trend rate	5.00%

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

Schedule of the Department's Proportionate Share of the Net Pension Liability

Department's Proportion of the Net Pension Liability		.2356%
Department's Proportionate Share of the Net Pension Liability	\$	1,401,952
Department's Total Employee Payroll	\$	551,872
Net Pension Liability as a Percentage of Total Employee Payroll		254.04%
Department's Proportionate Share of the Plan's Fiduciary Net Position as a Percentage of the Department's Total Pension Liability		47.94%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

Schedule of Contributions

Actuarially Determined Contribution	\$	93,105
Contributions in Relation to the Actuarially Determined Contribution		<u>(93,105)</u>
Contribution deficiency (excess)	\$	<u>-</u>
Total Employee Payroll	\$	551,872
Contribution as a Percentage of Total Employee Payroll		16.87%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	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	\$ 1,054,569	\$ 0	\$ 0	\$ 1,054,569	\$ 13,074	\$ 225,650	\$ 0	\$ 238,724
Funds on Deposit with MMWEC								
Pooled Financing Reserve	693,751	0	0	693,751	0	0	0	0
Petty Cash	800	0	0	800	800	0	0	800
Customer Accounts Receivable, Net	364,153	0	0	364,153	364,471	0	0	364,471
Other Accounts Receivable	121,591	0	0	121,591	155,301	180,892	(180,892)	155,301
Materials and Supplies	173,362	0	0	173,362	160,170	0	0	160,170
Working Capital Balance on Deposit	33,590	0	0	33,590	249,414	0	(235,630)	13,784
Prepaid Expenses	20,530	0	0	20,530	32,950	19,617	0	52,567
TOTAL CURRENT ASSETS	2,462,346	0	0	2,462,346	976,180	426,159	(416,522)	985,817
NONCURRENT ASSETS:								
Funds on Deposit with Town Treasurer								
Depreciation Fund	413,511	0	0	413,511	118,435	0	0	118,435
Customer Meter Deposits	28,855	0	0	28,855	24,643	0	0	24,643
Advances to MMLD Wind Energy Cooperative Corporation	0	0	0	0	691,211	0	(691,211)	0
Utility Plant Assets, Net	9,456,869	0	0	9,456,869	2,537,610	7,196,526	0	9,734,136
TOTAL NONCURRENT ASSETS	9,899,235	0	0	9,899,235	3,371,899	7,196,526	(691,211)	9,877,214
TOTAL ASSETS	12,361,581	0	0	12,361,581	4,348,079	7,622,685	(1,107,733)	10,863,031
DEFERRED OUTFLOWS OF RESOURCES								
Costs in Excess of Billings to Participants	0	0	0	0	0	559,060	(559,060)	0
Deferred Interest Expense	0	0	0	0	167	0	0	167
Deferred Outflows of Resources Related to Pensions	42,269	0	0	42,269	46,091	0	0	46,091
TOTAL DEFERRED OUTFLOWS OF RESOURCES	42,269	0	0	42,269	46,258	559,060	(559,060)	46,258
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,403,850	\$ 0	\$ 0	\$ 12,403,850	\$ 4,394,337	\$ 8,181,745	\$ (1,666,793)	\$ 10,909,289

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2015 AND 2014

LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND NET POSITION

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount	Princeton Municipal Light Department	Wind Energy Cooperative Corporation	Eliminations	Consolidated Amount
CURRENT LIABILITIES:								
Accounts Payable	\$ 310,067	\$ 0	\$ 0	\$ 310,067	\$ 881,892	\$ 1,596	\$ (739,952)	\$ 143,536
Accounts Payable - MMWEC	0	0	0	0	0	1,092,616	(235,630)	856,986
Current Obligations under Capital Lease	0	0	0	0	14,550	0	0	14,550
Current Portion of Long-Term Debt	0	0	0	0	0	486,667	0	486,667
Pooled Financing Loan	6,754,990	0	0	6,754,990	0	0	0	0
Accrued Expenses	48,913	0	0	48,913	37,875	44,482	0	82,357
TOTAL CURRENT LIABILITIES	7,113,970	0	0	7,113,970	934,317	1,625,361	(975,582)	1,584,096
NONCURRENT LIABILITIES:								
Long-Term Debt, Less Current Portion					0	4,379,998	0	4,379,998
Advances from Participants	0	0	0	0	0	691,211	(691,211)	0
Customer Meter Deposits	26,635	0	0	26,635	22,425	0	0	22,425
Net Pension Liability	1,401,952	0	0	1,401,952	1,368,787	0	0	1,368,787
Net Other Postemployment Benefit Obligation	195,106	0	0	195,106	146,612	0	0	146,612
TOTAL NONCURRENT LIABILITIES	1,623,693	0	0	1,623,693	1,537,824	5,071,209	(691,211)	5,917,822
TOTAL LIABILITIES	8,737,663	0	0	8,737,663	2,472,141	6,696,570	(1,666,793)	7,501,918
DEFERRED INFLOWS OF RESOURCES:								
Amounts Recoverable/Payable in the Future	0	0	0	0	(1,474,608)	1,474,608	0	0
Deferred Rent	0	0	0	0	0	10,567	0	10,567
TOTAL DEFERRED INFLOWS OF RESOURCES	0	0	0	0	(1,474,608)	1,485,175	0	10,567
NET POSITION:								
Net Investment in Capital Assets	2,701,879	0	0	2,701,879	2,523,060	2,329,861	0	4,852,921
Net Position Restricted for Depreciation	413,511	0	0	413,511	118,435	0	0	118,435
Unrestricted Net Position	550,797	0	0	550,797	755,309	(2,329,861)	0	(1,574,552)
TOTAL NET POSITION	3,666,187	0	0	3,666,187	3,396,804	0	0	3,396,804
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 12,403,850	\$ 0	\$ 0	\$ 12,403,850	\$ 4,394,337	\$ 8,181,745	\$ (1,666,793)	\$ 10,909,289

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF REVENUES , EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	<u>Princeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>Princeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
OPERATING REVENUES:								
Sales of Electricity	\$ 3,779,433	\$ 65,458	\$ (66,254)	\$ 3,778,637	\$ 3,415,881	\$ 888,384	\$ (888,384)	\$ 3,415,881
Other Operating Revenues	56,358	0	0	56,358	43,277	0	0	43,277
TOTAL OPERATING REVENUES	3,835,791	65,458	(66,254)	3,834,995	3,459,158	888,384	(888,384)	3,459,158
OPERATING EXPENSES:								
Operating and Maintenance	3,078,174	66,254	(66,254)	3,078,174	3,409,767	185,734	(888,384)	2,707,117
Depreciation	325,840	63,299	0	389,139	134,514	253,196	0	387,710
TOTAL OPERATING EXPENSES	3,404,014	129,553	(66,254)	3,467,313	3,544,281	438,930	(888,384)	3,094,827
OPERATING INCOME	431,777	(64,095)	0	367,682	(85,123)	449,454	0	364,331
NONOPERATING REVENUES (EXPENSES):								
Interest Income	5,490	0	0	5,490	318	0	0	318
Interest Expense	(164,904)	(45,145)	0	(210,049)	(10,669)	(215,983)	0	(226,652)
Change in Amounts Payable in the Future	0	109,240	0	109,240	233,471	(233,471)	0	0
TOTAL NONOPERATING REVENUES (EXPENSES)	(159,414)	64,095	0	(95,319)	223,120	(449,454)	0	(226,334)
Income Before Contributions and Transfers	272,363	0	0	272,363	137,997	0	0	137,997
NET POSITION - JANUARY 1	3,396,804	0	0	3,396,804	3,264,084	0	0	3,264,084
Transfers Out - Services Rendered in Lieu of Taxes	(2,980)	0	0	(2,980)	(5,277)	0	0	(5,277)
NET POSITION - DECEMBER 31	\$ 3,666,187	\$ 0	\$ 0	\$ 3,666,187	\$ 3,396,804	\$ 0	\$ 0	\$ 3,396,804

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	<u>Princeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>Princeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
CASH FLOW FROM OPERATING ACTIVITIES:								
Cash Received from Customers	\$ 3,874,029	\$ 246,350	\$ (246,350)	\$ 3,874,029	\$ 3,372,237	\$ 671,592	\$ (671,592)	\$ 3,372,237
Cash Paid to Suppliers	(2,012,569)	(48,233)	246,350	(1,814,452)	(2,755,584)	(186,876)	671,592	(2,270,868)
Cash Paid to Employees	(551,872)	0	0	(551,872)	(524,509)	0	0	(524,509)
Services Rendered in Lieu of Taxes	(2,980)	0	0	(2,980)	(5,277)	0	0	(5,277)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,306,608</u>	<u>198,117</u>	<u>0</u>	<u>1,504,725</u>	<u>86,867</u>	<u>484,716</u>	<u>0</u>	<u>571,583</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Additions to Utility Plant Assets	(111,872)	0	0	(111,872)	(69,025)	0	0	(69,025)
Cash Transfer to/from Princeton Municipal Light Department	423,767	(423,767)	0	0	0	0	0	0
Payments on Capital Lease	(14,550)	0	0	(14,550)	(24,943)	0	0	(24,943)
Interest Expense	(80,625)	0	0	(80,625)	(9,496)	0	0	(9,496)
Repayment on Long Term Debt	(103,923)	0	0	(103,923)	0	(486,667)	0	(486,667)
Interest Payments on Long Term Debt	(84,112)	0	0	(84,112)	0	(220,164)	0	(220,164)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>28,685</u>	<u>(423,767)</u>	<u>0</u>	<u>(395,082)</u>	<u>(103,464)</u>	<u>(706,831)</u>	<u>0</u>	<u>(810,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	4,703	0	0	4,703	90	0	0	90
Net Transfer from Operations	(294,289)	0	0	(294,289)	(10,000)	0	0	(10,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(289,586)</u>	<u>0</u>	<u>0</u>	<u>(289,586)</u>	<u>(9,910)</u>	<u>0</u>	<u>0</u>	<u>(9,910)</u>
NET INCREASE (DECREASE) IN CASH	1,045,707	(225,650)	0	820,057	(26,507)	(222,115)	0	(248,622)
CASH, BEGINNING OF YEAR	<u>38,517</u>	<u>225,650</u>	<u>0</u>	<u>264,167</u>	<u>65,024</u>	<u>447,765</u>	<u>0</u>	<u>512,789</u>
CASH, END OF YEAR	<u>\$ 1,084,224</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,084,224</u>	<u>\$ 38,517</u>	<u>\$ 225,650</u>	<u>\$ 0</u>	<u>\$ 264,167</u>

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>				<u>2014</u> <u>(As Revised)</u>			
	<u>Princeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>	<u>Princeton Municipal Light Department</u>	<u>Wind Energy Cooperative Corporation</u>	<u>Eliminations</u>	<u>Consolidated Amount</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 431,777	\$ (64,095)	\$ 0	\$ 367,682	\$ (85,123)	\$ 449,454	\$ 0	\$ 364,331
Depreciation of Utility Property	325,840	63,299	0	389,139	134,514	253,196	0	387,710
Disbursements from Pooled Financing	197,391	0	0	197,391	0	0	0	0
Services Rendered in Lieu of Taxes	(2,980)	0	0	(2,980)	(5,277)	0	0	(5,277)
Changes in Assets and Liabilities:								
(Increase) Decrease in Assets:								
Customer Accounts Receivable	318	0	0	318	(17,192)	0	0	(17,192)
Other Accounts Receivable	33,710	180,892	0	214,602	(71,259)	(116,345)	180,892	(6,712)
Materials and Supplies	(13,192)	0	0	(13,192)	(7,339)	0	0	(7,339)
Prepaid Expenses	12,420	19,617	0	32,037	(8,470)	(27)	0	(8,497)
Deferred Outflows of Resources	3,822	0	0	3,822	0	0	0	0
Working Capital Balance on Deposit	237,178	0	0	237,178	0	0	0	0
Costs in Excess of Billings to Participants	0	0	0	0	0	(100,447)	100,447	0
Increase (Decrease) in Liabilities:								
Accounts Payable	(125,823)	(1,596)	0	(127,419)	110,195	(6,468)	(281,339)	(177,612)
Accounts Payable - MMWEC	0	0	0	0	0	4,526	0	4,526
Accrued Expenses	11,038	0	0	11,038	3,645	0	0	3,645
Net Pension Liability	33,165	0	0	33,165	0	0	0	0
Net Other Postemployment Benefit Obligation	48,494	0	0	48,494	31,643	0	0	31,643
Deferred Rent	0	0	0	0	0	827	0	827
Amounts Recoverable in the Future	109,240	0	0	109,240	0	0	0	0
Meter Deposit Liability	4,210	0	0	4,210	1,530	0	0	1,530
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,306,608</u>	<u>\$ 198,117</u>	<u>\$ 0</u>	<u>\$ 1,504,725</u>	<u>\$ 86,867</u>	<u>\$ 484,716</u>	<u>\$ 0</u>	<u>\$ 571,583</u>

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF ELECTRIC UTILITY PLANT IN SERVICE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
Capital assets not being depreciated:								
Land	\$ 74,835	\$ 0	\$ 0	\$ 74,835	\$ 74,835	\$ 0	\$ 0	\$ 74,835
Construction In Progress	290	0	0	290	0	290	0	290
Total capital assets not being depreciated	75,125	0	0	75,125	74,835	290	0	75,125
Capital assets being depreciated:								
Generation plant	8,439,859	0	0	8,439,859	8,439,859	0	0	8,439,859
Distribution plant	3,111,851	58,955	(6,459)	3,164,347	3,069,628	63,335	(21,112)	3,111,851
General plant	1,419,584	52,917	0	1,472,501	1,414,184	5,400	0	1,419,584
Total capital assets being depreciated	12,971,294	111,872	(6,459)	13,076,707	12,923,671	68,735	(21,112)	12,971,294
Less accumulated depreciation for:								
Generation plant	(1,261,301)	(253,196)	0	(1,514,497)	(1,008,105)	(253,196)	0	(1,261,301)
Distribution plant	(958,577)	(117,499)	6,459	(1,069,617)	(884,527)	(95,162)	21,112	(958,577)
General plant	(1,092,405)	(18,444)	0	(1,110,849)	(1,053,053)	(39,352)	0	(1,092,405)
Total accumulated depreciation	(3,312,283)	(389,139)	6,459	(3,694,963)	(2,945,685)	(387,710)	21,112	(3,312,283)
Capital assets being depreciated, net	9,659,011	(277,267)	0	9,381,744	9,977,986	(318,975)	0	9,659,011
Utility plant assets, net	\$ 9,734,136	\$ (277,267)	\$ 0	\$ 9,456,869	\$ 10,052,821	\$ (318,685)	\$ 0	\$ 9,734,136

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PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
CONSOLIDATED SCHEDULES OF ELECTRIC OPERATING AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014 (As Revised)
POWER SUPPLY EXPENSE:		
Purchased Power	\$ 1,727,494	\$ 1,473,197
Transmission by Others	139,685	123,150
	<u>1,867,179</u>	<u>1,596,347</u>
TOTAL POWER SUPPLY EXPENSE		
	<u>1,867,179</u>	<u>1,596,347</u>
DISTRIBUTION EXPENSES:		
Operation Labor	48,609	52,666
Operation Supplies and Expenses	78,946	33,615
Maintenance of Overhead Lines	208,192	72,500
Maintenance of Structures/Equipment	1,574	1,281
Maintenance of Line Transformers	1,028	2,454
Maintenance of Meters	982	1,325
Maintenance of Street Lights	2,631	3,052
	<u>341,962</u>	<u>166,893</u>
TOTAL DISTRIBUTION EXPENSES		
	<u>341,962</u>	<u>166,893</u>
CUSTOMER ACCOUNT EXPENSES:		
Meter Reading	20,511	13,562
Accounting and Collection Expense	72,807	77,692
Bad Debt Expense	2,991	1,297
Energy Audits	4,801	3,918
	<u>101,110</u>	<u>96,469</u>
TOTAL CUSTOMER ACCOUNT EXPENSES		
	<u>101,110</u>	<u>96,469</u>
ADMINISTRATIVE AND GENERAL EXPENSES:		
Advertising	1,435	1,350
Administration and General Salaries	220,162	213,705
Financial Services	0	5,111
Land Lease	0	7,991
Office Supplies and Expenses	27,165	17,556
Outside Services Employed	61,781	49,902
Property Insurance	34,291	77,619
Injuries and Damages	33,894	46,609
Employee Benefits	293,673	234,336
Miscellaneous General Expense	1,663	3,701
Maintenance of General Plant	93,859	189,528
	<u>767,923</u>	<u>847,408</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES		
	<u>767,923</u>	<u>847,408</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 3,078,174</u>	<u>\$ 2,707,117</u>

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PRINCETON MUNICIPAL LIGHT DEPARTMENT AND SUBSIDIARY
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
	2015	2014	Increases (Decreases)	2015	2014	Increases (Decreases)	2015	2014
Sales of Electricity								
Residential Sales, Net of Discounts of \$106,343 and \$86,535 in 2015 and 2014, Respectively	\$ 2,899,526	\$ 2,483,349	\$ 416,177	11,959,839	12,545,975	(586,136)	\$ 0.24244	\$ 0.19794
Commercial and Industrial Sales	418,238	334,489	83,749	1,648,312	1,664,482	(16,170)	0.25374	0.20096
Special Street Lighting	13,696	13,794	(98)	52,677	53,353	(676)	0.26000	0.25854
Total Private Customers	3,331,460	2,831,632	499,828	13,660,828	14,263,810	(602,982)	0.24387	0.19852
Municipal Sales								
Street Lighting	9,614	9,614	-	46,647	46,647	-	0.20610	0.20610
Municipal Buildings	131,224	108,381	22,843	535,807	543,239	(7,432)	0.24491	0.19951
Total Municipal Sales	140,838	117,995	22,843	582,454	589,886	(7,432)	0.24180	0.20003
Sales for Resale	307,135	466,254	(159,119)	460,433	933,278	(472,845)	0.66706	0.49959
Total Sales of Electricity	\$ 3,779,433	\$ 3,415,881	\$ 363,552	14,703,715	15,786,974	(1,083,259)	\$ 0.25704	\$ 0.21637

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