

PRINCETON MUNICIPAL LIGHT DEPARTMENT
Financial Statements
December 31, 2020 and 2019

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
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DECEMBER 31, 2020 AND 2019**

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**GOULET, SALVIDIO
& ASSOCIATES, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

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 as of and for the years ended December 31, 2020 and 2019, 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 auditors' 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.

Basis for Qualified Opinion

Management has reported its December 31, 2020 portion of the net pension liability (NPL) based on reports provided by the Worcester Regional Retirement System (WRRS) that are not in compliance with GASB standards. Government accounting standards require that the NPL be reported using actuarial data that is no more than 30 months and one day old. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2018. The amount by which this departure would affect the assets, liabilities, net position, and revenues of the Department has not been determined.

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Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2020 and 2019, the changes in financial position, or its cash flows for the years then ended in accordance 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 29 through 32, 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 sufficient evidence 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 33 and 34 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
March 29, 2021

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 for the years ended December 31, 2020 and 2019. 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, 2020, it shows our net position was \$5,486,658, an increase of \$266,578 over 2019.

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 before contributions and transfers for the year ending December 31, 2020 and 2019 was \$272,716 and \$313,465, 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>2020</u>	<u>2019</u>
Current Assets	\$ 1,890,757	\$ 1,946,391
Noncurrent Assets	<u>10,629,736</u>	<u>10,940,537</u>
Total Assets	<u>12,520,493</u>	<u>12,886,928</u>
Deferred Outflows of Resources	<u>670,548</u>	<u>750,345</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 13,191,041</u>	<u>\$ 13,637,273</u>
Current Liabilities	\$ 994,318	\$ 1,059,681
Noncurrent Liabilities	<u>5,690,247</u>	<u>6,653,007</u>
Total Liabilities	<u>6,684,565</u>	<u>7,712,688</u>
Deferred Inflows of Resources	<u>1,019,818</u>	<u>704,505</u>
Net Position:		
Net Investment in Capital Assets	4,907,268	4,588,005
Net Position Restricted for Depreciation	<u>1,255,710</u>	<u>1,171,337</u>
Unrestricted	<u>(676,320)</u>	<u>(539,262)</u>
Total Net Position	<u>5,486,658</u>	<u>5,220,080</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 13,191,041</u>	<u>\$ 13,637,273</u>

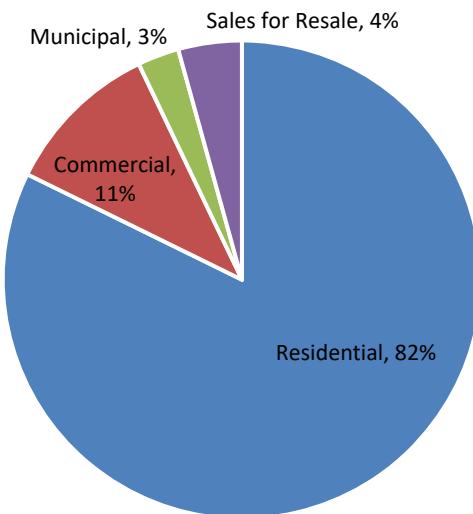
Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 3,974,737	\$ 3,886,202
Operating Expenses	<u>(3,582,236)</u>	<u>(3,463,437)</u>
Operating Income	392,501	422,765
Nonoperating (Expenses) Revenues	<u>(119,785)</u>	<u>(109,300)</u>
Increase in Net Position before Transfers	272,716	313,465
Net Position, January 1	5,220,080	4,914,974
Transfer Out – Services Rendered in Lieu of Taxes (See “Services to Town” on p.6)	<u>(6,138)</u>	<u>(8,359)</u>
Net Position, December 31	<u>\$ 5,486,658</u>	<u>\$ 5,220,080</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



Debt Administration

Long-term debt is made up of the outstanding balance on PMLD's Pooled Financing Loan Agreement with the Massachusetts Municipal Wholesale Electric Company ("MMWEC"). PMLD entered into this agreement on March 16, 2015 to provide term financing for the purchase of the wind generation facilities from the Massachusetts Municipal Light Department Wind Energy Cooperative Corporation. This loan was termed out during March 2017. The outstanding principal balance as of December 31, 2020 and 2019 was \$3,736,036 and \$4,341,880, respectively.

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 2020 due to a car accident on Mountain Road. 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 cycle 1 in 2020. PMLD was very pleased with the level of work and professionalism provided by ARS.

Electric Customers and Rates

PMLD provided service to 1,385 residential, 12 solar residential, 7 Farm, 75 commercial, 2 commercial solar, and 23 municipal customers as of December 2020 (total count = 1,504). Residential customers consume approximately 82% of the town's total energy use. All PMLD customers consumed just under 15 million kWh of energy in 2020, and the average home consumes approximately 750 kWh per month.

The average home in Princeton spends approximately \$180 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. In 2008 before the wind turbines were in place our rate was \$0.1923 per kilowatt hour. Today Princeton ratepayers pay a base rate of \$0.1975 per kilowatt hour. The additional \$0.05 per kilowatt hour that makes up the \$0.2475 current residential retail rate, is allocated to pay for the windfarm debt, maintenance and operation expenses. In October 2017 PMLD revised the customer's electric bill detail and included this breakdown of information. PMLD's Board of Commissioners and management continue to work diligently to keep the rates as low as possible. The electric rates did not change in 2020. PMLD has a long-term energy purchase contract (through 2027) with NextEra Energy that provides PMLD ratepayers with consistent, affordable pricing monthly throughout the year; which enabled management to keep to a set budget and anticipate expenses without risk of what the volatile open market pricing could bring. PMLD's power portfolio matches ISO New England's daily fuel mix. PMLD ended the year on budget.

Staff Changes

Brain Allen gave notice in May 2020 that he would be leaving PMLD. He was replaced by Sean McKeon who started on November 16, 2020. The interim General Manager from July through November was Gary Harrington. We are grateful for Gary's hard work and professionalism during this transition period.

Wind Farm

The Princeton Wind Farm operated at a 16% capacity factor in 2020 producing 4,100 MWh's of energy. PMLD has been utilizing the services of Baldwin Energy, Winchester, MA to maintain and repair the turbines since August of 2019. PMLD sells wind energy to the Sterling Municipal Light Department and the West Boylston Municipal Light Plant; and is actively pursuing additional wind energy sales contracts with other tax-exempt entities.

HELPS Program

PMLD offered Princeton residents the opportunity to take advantage of energy conservation incentives appliance rebates for wi-fi thermostats, new energy efficient refrigerators, dishwashers, clothes washers, dehumidifiers, heat pumps, and pool pumps; free in-home energy audits; rebates associated with the Cool Homes Program for installation of new energy efficient central AC, mini-duct systems; and rebates associated with the Home Efficiency Incentive Program for improvements associated with home insulation, duct sealing and energy efficient heating system replacement. In 2020 a total of 15 audits were conducted, 15 rebates were awarded through the Cool Homes Program, 4 rebates were awarded through the Home Efficiency Incentive Program, 1 Wi-Fi thermostat rebate, 16 appliance rebates were awarded to customers for various new energy efficient appliance purchases, and 2 customers took advantage of rebates through HELPS and PMLD for heat pumps. PMLD contributed a total of \$12,168 towards homeowner's energy efficiency efforts in 2020.

Other Service Benefits to the Town

In addition to providing the lowest cost possible and reliable energy, PMLD performed other services for the Town and for our customers in 2020, such as:

- PMLD installed United States Flags and other banners and signs for the Town Common in observance of Memorial Day, Flag Day, and the 4th of July.
- PMLD is the point of contact and distribution location for the volunteer Welcome Committee in town to present to all new residents a "Welcome to Beautiful Princeton" canvas tote bag that include small personalized gifts, information, coupons and brochures from organizations, places of interest and businesses in and around town.
- PMLD purchased and distributed to residents PMLD promotional reusable items - reusable shopping bags, LED night lights & flashlights, water bottles, and "who to call" magnets at various community events.
- PMLD staff assisted various Town departments with the use of a bucket truck, tree removals, building repairs, and technical assistance as needed.

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
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 1,050,022	\$ 1,204,398
Petty Cash	800	800
Customer Accounts Receivable, Net	487,398	418,183
Other Accounts Receivable	121,047	114,018
Materials and Supplies	173,760	169,842
Purchase Power Working Capital	30,116	30,116
Prepaid Expenses	<u>27,614</u>	<u>9,034</u>
 TOTAL CURRENT ASSETS	 <u>1,890,757</u>	 <u>1,946,391</u>
 NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	1,255,710	1,171,337
Customer Meter Deposits	36,015	37,160
Funds on Deposit with MMWEC		
Pooled Financing Reserve	646,960	728,435
Utility Plant Assets, Net	<u>8,691,051</u>	<u>9,003,605</u>
 TOTAL NONCURRENT ASSETS	 <u>10,629,736</u>	 <u>10,940,537</u>
 TOTAL ASSETS	 <u>12,520,493</u>	 <u>12,886,928</u>
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	567,484	702,140
Deferred Outflows of Resources Related to OPEB	<u>103,064</u>	<u>48,205</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>670,548</u>	 <u>750,345</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 13,191,041</u>	 <u>\$ 13,637,273</u>

See Accompanying Notes to the Financial Statements

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
CURRENT LIABILITIES:		
Accounts Payable	\$ 288,361	\$ 369,554
Capital Lease	26,918	25,974
Pooled Financing Loan	605,844	605,844
Accrued Expenses	73,195	58,309
TOTAL CURRENT LIABILITIES	994,318	1,059,681
NONCURRENT LIABILITIES:		
Pooled Financing Loan, Less Current Portion	3,130,192	3,736,036
Capital Lease, Less Current Portion	20,829	47,746
Customer Meter Deposits	33,500	34,700
Net Pension Liability	1,951,788	2,062,729
Net Other Postemployment Benefits Liability	553,938	771,796
TOTAL NONCURRENT LIABILITIES	5,690,247	6,653,007
TOTAL LIABILITIES	6,684,565	7,712,688
DEFERRED INFLOWS OF RESOURCES:		
Contribution in Aid of Construction, Net	414,645	428,441
Unearned Revenue	1,548	0
Deferred Inflows of Resources Related to Pensions	303,076	252,692
Deferred Inflows of Resources Related to OPEB	300,549	23,372
TOTAL DEFERRED INFLOWS OF RESOURCES	1,019,818	704,505
NET POSITION:		
Net Investment in Capital Assets	4,907,268	4,588,005
Net Position Restricted for Depreciation	1,255,710	1,171,337
Unrestricted Net Position	(676,320)	(539,262)
TOTAL NET POSITION	5,486,658	5,220,080
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 13,191,041	\$ 13,637,273

See Accompanying Notes to the Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Sales of Electricity	\$ 3,896,654	\$ 3,724,439
Other Operating Revenues	<u>78,083</u>	<u>161,763</u>
 TOTAL OPERATING REVENUES	 <u>3,974,737</u>	 <u>3,886,202</u>
 OPERATING EXPENSES:		
Operating and Maintenance	3,220,264	3,104,904
Depreciation, Net of Amortization	<u>361,972</u>	<u>358,533</u>
 TOTAL OPERATING EXPENSES	 <u>3,582,236</u>	 <u>3,463,437</u>
 OPERATING INCOME	 <u>392,501</u>	 <u>422,765</u>
 NONOPERATING REVENUES (EXPENSES):		
Interest Income	24,177	54,279
Interest Expense	<u>(143,962)</u>	<u>(163,579)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	 <u>(119,785)</u>	 <u>(109,300)</u>
 Income Before Contributions and Transfers	 272,716	 313,465
 NET POSITION - JANUARY 1	 5,220,080	 4,914,974
 Transfers Out - Services Rendered in Lieu of Taxes	 <u>(6,138)</u>	 <u>(8,359)</u>
 NET POSITION - DECEMBER 31	 <u>\$ 5,486,658</u>	 <u>\$ 5,220,080</u>

See Accompanying Notes to the Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 3,898,841	\$ 3,845,055
Cash Paid to Suppliers	(2,562,808)	(2,185,650)
Cash Paid to Employees	(667,702)	(702,823)
Services Rendered In Lieu of Taxes	(6,138)	(8,359)
 Net Cash Provided by Operating Activities	<u>662,193</u>	<u>948,223</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Utility Plant Assets	(63,214)	(244,745)
Net Transfer to Depreciation Fund	(76,267)	(142,801)
Contribution in Aid of Construction	0	108,160
Disbursements to Pooled Financing	81,475	41,374
Payments on Capital Lease	(25,973)	(25,062)
Interest Expense	(2,084)	(3,086)
Repayment on Long-Term Debt	(605,844)	(605,844)
Interest Payments on Long-Term Debt	<u>(141,878)</u>	<u>(160,493)</u>
 Net Cash Used in Capital and Related Financing Activities	<u>(833,785)</u>	<u>(1,032,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	<u>16,071</u>	<u>28,346</u>
 NET DECREASE IN CASH	(155,521)	(55,928)
 CASH, BEGINNING OF YEAR	1,242,358	1,298,286
 CASH, END OF YEAR	\$ 1,086,837	\$ 1,242,358

See Accompanying Notes to the Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 392,501	\$ 422,765
Depreciation of Utility Property, Net of Amortization	361,972	358,533
Services Rendered In Lieu of Taxes	(6,138)	(8,359)
Pension Expense	224,339	261,799
OPEB Expense	4,460	43,839
Changes in Assets and Liabilities:		
(Increase)Decrease in Assets:		
Customer Accounts Receivable	(69,215)	(30,624)
Other Accounts Receivable	(7,029)	(14,003)
Materials and Supplies	(3,918)	6,267
Prepaid Expenses	(18,580)	11,295
Deferred Outflows of Resources Pension	(150,240)	(133,509)
Purchase Power Working Capital	0	520
Increase(Decrease) in Liabilities:		
Accounts Payable	(81,193)	31,353
Accrued Expenses	14,886	(5,133)
Customer Meter Deposit Liability	(1,200)	3,480
Unearned Revenue	<u>1,548</u>	<u>0</u>
 Net Cash Provided by Operating Activities	 <u>\$ 662,193</u>	 <u>\$ 948,223</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:

	<u>2020</u>	<u>2019</u>
Operating Fund	\$ 1,050,022	\$ 1,204,398
Customer Meter Deposits	36,015	37,160
Petty Cash	<u>800</u>	<u>800</u>
 \$ 1,086,837	 <u>\$ 1,242,358</u>	

See Accompanying Notes to the Financial Statements

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

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.

Depreciation

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.

The Department charges maintenance and repairs to operations when incurred. Replacements and betterments are charged to utility plant.

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, 2020 and 2019 is \$50,221 and \$40,442, respectively.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

Revenue Recognition

The Light Department owns and maintains an electric distribution network serving the Town of Princeton, Massachusetts. Distribution revenues are primarily from the sale of electricity to residential, commercial, and industrial customers within the Town of Princeton. The rates are designed to recover the costs incurred by the Department for products and services provided along with a return on investment.

The performance obligation for electricity sales is to provide electricity to the customer on demand. The electricity supplied represents a single performance obligation as it is a series of distinct goods and services that are substantially the same. The performance obligation is satisfied immediately as the customer simultaneously receives and consumes the electricity as the Department provides this service. The Department records revenues related to the electricity sales based upon the effective rates and the volume delivered to the customers, which corresponds with the amount the Department has the right to invoice.

Revenues are recognized for energy service provided on a monthly billing cycle basis. No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

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.

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2020 presentation.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019 the allowance for doubtful accounts balance was \$5,065 in each year.

Contribution in Aid of Construction

Contribution in Aid of Construction represents non-refundable payments received from consumers and developers for extension of electric services for assets owned and maintained by Princeton Municipal Light Department. These amounts are recorded as a deferred inflow of resources net of amortization.

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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the Department's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Princeton Municipal Light Department's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

NOTE 2 – 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 – 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 4 – FUNDS HELD AT MMWEC:

Purchased Power Working Capital

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. 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 the Department hold a set amount of capital from which it may pay the Department's power obligations when they are due. MMWEC replenishes the fund as needed from the Department's monthly invoice payments. The income earned allocated to the Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2020 and 2019 was \$20,048. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2020 and 2019 was \$21,492,905 and \$17,947,001, respectively, of which Princeton Municipal Light Department's ownership was approximately 0.09% and 0.11%, respectively.

Prepaid PASNY Fund

The Power Authority of the State of New York (PASNY) is a New York State public-benefit corporation. It is commonly referred to as New York Power Authority (NYPA). The electricity generated from the NYPA hydro-facilities in New York provides a reduced rate for electricity specifically for residential customers in New York and New England. This is another account maintained by MMWEC from which they may pay our power obligation for the delivery of power and other obligations associated with NYPA's hydro projects. The NYPA fund balance at December 31, 2020 and 2019 was \$10,068. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2020 and 2019 was \$4,349,339 and \$4,312,061, respectively, of which Princeton Municipal Light Department's ownership was approximately 0.23% in each year.

NOTE 5 – OTHER ACCOUNTS RECEIVABLE:

Other accounts receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Jobbing	\$ 35,838	\$ 83,399
Other Energy Sales	15,673	8,922
Wind Renewable Energy Credits	<u>69,536</u>	<u>21,697</u>
Total	<u>\$ 121,047</u>	<u>\$ 114,018</u>

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – PREPAID EXPENSES:

Prepaid expenses consist of the following:

	<u>2020</u>	<u>2019</u>
Prepaid Insurance Premium	\$ 19,510	\$ 930
Prepaid Purchased Power	<u>8,104</u>	<u>8,104</u>
Total	\$ 27,614	\$ 9,034

NOTE 7 – UTILITY PLANT ASSETS:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 74,835	\$ 0	\$ 0	\$ 74,835
Capital Assets Being Depreciated:				
Generation Plant	8,439,859	0	0	8,439,859
Distribution Plant	3,681,561	61,479	(18,650)	3,724,390
General Plant	<u>1,728,781</u>	<u>1,735</u>	<u>0</u>	<u>1,730,516</u>
Total Capital Assets Being Depreciated	13,850,201	63,214	(18,650)	13,894,765
Less Accumulated Depreciation for:				
Generation Plant	(2,369,385)	(255,285)	0	(2,624,670)
Distribution Plant	(1,173,492)	(61,643)	18,650	(1,216,485)
General Plant	<u>(1,378,554)</u>	<u>(58,840)</u>	<u>0</u>	<u>(1,437,394)</u>
Total Accumulated Depreciation	(4,921,431)	(375,768)	18,650	(5,278,549)
Capital Assets Being Depreciated, Net	8,928,770	(312,554)	0	8,616,216
Utility Plant Assets, Net	\$ 9,003,605	\$ (312,554)	\$ 0	\$ 8,691,051

Depreciation for the years ended December 31, 2020 and 2019 was \$375,768 and \$369,084, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$13,796 and \$10,551 related to contribution in aid of construction for the years ended December, 31, 2020 and 2019, respectively.

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2020</u>	<u>2019</u>
Cost of Capital Assets Acquired	\$ 13,969,600	\$ 13,925,036
Less: Accumulated Depreciation	(5,278,549)	(4,921,431)
Less: Outstanding Debt Related to Capital Assets	<u>(3,783,783)</u>	<u>(4,415,600)</u>
Net Investment in Capital Assets	<u>\$ 4,907,268</u>	<u>\$ 4,588,005</u>

NOTE 9 – RELATED PARTIES:

The Light Department bills the Town of Princeton for electric light usage. The amount included in revenue was \$109,233 and \$128,972 for December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019 accounts receivable from these departments was \$256 and \$393, 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, 2020 and 2019, the total amounts paid for these services were \$275,039 and \$255,150, respectively. At December 31, 2020 and 2019, amounts payable to the town were \$9,439 and \$24,011, respectively.

NOTE 10 – 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 – PENSION PLAN (Continued):

Benefits Provided (continued)

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.

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 contributions to the System for the years ended December 31, 2020 and 2019 were \$133,509 and \$126,650, respectively, which were paid during calendar years 2019 and 2018, respectively.

Pension Liabilities

At December 31, 2020 and 2019, the Light Department reported a liability of \$1,951,788 and \$2,062,729, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2018. 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 the measured dates of December 31, 2019 and 2018, the Town's proportion was 0.60% and 0.64%, respectively. The Department's portion of the net pension liability was based on the percentage of the Department's contribution to the total Town's contribution as of the measured dates of December 31, 2019 and 2018. At the measured dates of December 31, 2019 and 2018, the Department's portion was 36.66% and 35.78%, respectively, of the Town's total contribution.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 – PENSION PLAN (Continued):

Pension Expense

For the years ended December 31, 2020 and 2019, the Department recognized a pension expense of \$224,339 and \$261,799, respectively. For the years ended December 31, 2020 and 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources listed in the chart below.

<u>Deferred Outflows of Resources Related to Pensions</u>	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 5,732	\$ 9,143
Changes of assumptions	109,090	128,170
Net difference between projected and actual earnings on pension plan investments	0	77,606
Changes in proportion and differences between employer contributions and Department proportionate share	302,422	353,712
Department contributions subsequent to the measurement date	<u>150,240</u>	<u>133,509</u>
Total	\$ 567,484	\$ 702,140

<u>Deferred Inflows of Resources Related to Pensions</u>	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 11,694	\$ 15,291
Net difference between projected and actual earnings on pension plan investments	53,609	0
Changes in proportion and differences between employer contributions and Department proportionate share	<u>237,773</u>	<u>237,401</u>
Total	\$ 303,076	\$ 252,692

Of the total amount reported as deferred outflows of resources related to pensions, \$150,240 resulting from Department contributions paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the Department's pension expense as follows:

<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	
Year Ended December 31:		
2021 \$ 127,772	2021 \$ 75,829	
2022 127,369	2022 75,749	
2023 114,161	2023 75,749	
2024 <u>47,942</u>	<u>2024 75,749</u>	
Total \$ 417,244	\$ 303,076	

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 – PENSION PLAN (Continued):

Actuarial Assumptions

The total pension liability as of December 31, 2020 and 2019 was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 9.95%.</p> <p><i>Early Retirement Incentive Programs (ERI) for 2002, 2003 and 2010:</i> Increasing dollar amount at 4% to reduce the 2002 and 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2028 and the 2010 ERI Actuarial Accrued Liability to zero on or before June 30, 2022.</p>
Remaining Amortization Period	15 years, except for ERI for 2002 and 2003 (8 years) and 2010 (2 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"> 80% of gains and losses of the prior year, 60% of gains and losses of the second prior year, 40% of gains and losses of the third prior year and 20% of gains and losses of the fourth prior year
Inflation Rate	2.4% per year
Projected Salary Increases	Group 1: 6%-4.25%, based on service. Group 4: 7%-4.75%, based on service.
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at \$480 per year.
Mortality Rates:	
Healthy Retirees	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.
Disabled Retirees	RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 – PENSION PLAN (Continued):

Actuarial Assumptions (continued)

Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation.
Annuity Savings Fund Interest Rate	2.00% per year

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 the measured date of December 31, 2019 are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	39%	4.68%
Core Fixed Income	15%	0.59%
Value-Added Fixed Income	8%	4.40%
Private Equity	13%	8.50%
Real Estate	10%	3.70%
Timberland	4%	4.30%
Portfolio Completion (PCS)	11%	3.40%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 in accordance with Sections 22D and 22F of Chapter 32 of Massachusetts General Laws. 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 – PENSION PLAN (Continued):

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
Proportionate share of the Net Pension Liability	\$ 2,381,689	\$ 1,951,788	\$ 1,588,748

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 11 – RISK MANAGEMENT:

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, 2020 and 2019, the Light Department considers its pro rata share of these losses to be immaterial to its financial statements.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS:

The Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting employer liabilities and OPEB expenses.

Plan Description

PMLD participates in the town sponsored single employer defined benefit health plan to provide 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.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

Plan Membership

At the measurement date of December 31, 2020, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	4
Active plan members	<u>7</u>
Total Number of Participants	<u><u>11</u></u>

Contributions

The Department's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The contribution requirements of plan members and the Department are established and may be amended through Department ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the years ending on, and the measurement date of, December 31, 2020 and 2019, total premiums plus implicit costs for the retiree medical program were \$17,165, and \$16,231, respectively.

OPEB Liabilities

At December 31, 2020 and 2019 the Department reported a liability of \$553,938 and \$771,796, respectively, for its net OPEB liability. The 2020 and 2019 net OPEB liability was measured as of December 31, 2020 and 2019, respectively, and was determined by an actuarial valuation as of January 1, 2020 and 2018, respectively.

OPEB Expense

For the years ended December 31, 2020 and 2019, the Department recognized OPEB Expense of \$21,625 and \$60,070, respectively. At December 31, 2020 and 2019, the Department reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2020</u>	<u>2019</u>
Changes in assumptions	\$ 103,064	\$ 48,205

Deferred Inflows of Resources Related to OPEB

Differences between expected and actual experience	\$ 300,549	\$ 23,372
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Amounts reported as deferred inflows of resources related to OPEB will be recognized in the Department's OPEB expense as follows:

<u>Deferred Inflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Year Ended December 31:		Year Ended December 31:	
2021	\$ 25,761	2021	\$ 66,186
2022	25,761	2022	66,185
2023	25,762	2023	58,395
2024	13,710	2024	58,395
2025	<u>12,070</u>	2025	<u>51,388</u>
Total	<u>\$ 103,064</u>	Total	<u>\$ 300,549</u>

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

Actuarial Assumptions

The total net OPEB liability as of December 31, 2020 was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2020
Actuarial Cost Method	Individual Entry Age Normal
Annual Salary Increases	3.00% per annum
Inflation Rate	2.50% per annum
Municipal Bond Rate	1.93% as of December 31, 2020 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

Discount Rate

The discount rate used to measure the total OPEB liability was 2%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability calculated using the discount rate of 2%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (1%) or 1-percentage point higher (3%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	1%	2%	3%
Net OPEB Liability	\$ 652,601	\$ 553,938	\$ 488,746

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued):

Sensitivity of the Net Pension Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability calculated using current healthcare cost trend rate of 4.5%, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (3.5%) or 1-percentage point higher (5.5%) than the current healthcare cost trend rates:

Net OPEB Liability	Current Healthcare Cost Trend Rates		
	1% Decrease 3.5%	4.5%	1% Increase 5.5%
	\$ 467,811	\$ 553,938	\$ 664,646

NOTE 13 – LEASE OBLIGATIONS:

In October 2016, PMLD entered into a lease agreement of six years to lease a material handler/bucket truck. The lease runs through October 2022.

	2020	2019
Total Lease Obligations	\$ 47,747	\$ 73,720
Less: Current Maturities	<u>(26,918)</u>	<u>(25,974)</u>
Long-Term Lease Obligations	<u>\$ 20,829</u>	<u>\$ 47,746</u>

The approximate minimum future lease payments are as follows:

For the years ended December 31,	2021	\$ 28,188
	<u>2022</u>	<u>21,141</u>
Total Minimum Lease Payments	49,329	
Less: Amount Representing Interest	<u>(1,582)</u>	
Present Value of Net Minimum Payments	<u>\$ 47,747</u>	

The interest expense related to leases was \$2,215 in 2020 and \$3,086 in 2019.

NOTE 14 – 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 was due monthly at a fixed interest rate of 1.75% per annum.

On March 21, 2017, the Department termed out its Pooled Loan Program Agreement with MMWEC. Principal and interest are payable monthly. The interest rate is fixed at 3.05% per annum and the loan matures March 2027. The outstanding principal balance as of December 31, 2020 and 2019 was \$3,736,036 and \$4,341,880, respectively. Interest expense related to this loan was \$141,878 and \$160,493 at December 31, 2020 and 2019, respectively.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 – POOLED FINANCING LOAN (Continued):

	<u>2020</u>	<u>2019</u>
Note Payable with Pooled Loan with MMWEC payable in monthly installments, including a fixed interest rate of 3.05%. Due March 2027.	\$ 3,736,036	\$ 4,341,880
Less: Current Maturities	<u>(605,844)</u>	<u>(605,844)</u>
Long-Term Notes Payable, Less Current Portion	<u>\$ 3,130,192</u>	<u>\$ 3,736,036</u>

Maturities of the note payable are shown as follows:

For the years ended December 31,	2021	\$ 605,844
	2022	605,844
	2023	605,844
	2024	605,844
	2025	605,844
Thereafter	<u>706,816</u>	
Total	<u>\$ 3,736,036</u>	

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, 2020 and 2019 was \$646,960 and \$728,435, respectively.

NOTE 15 – 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 on the following page reflects the sum of the contractual obligations for the contract.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued):

The estimated contractual entitlements are as follows (Based upon 16,000 MWH's Purchased):

For the years ended December 31,	2021	\$ 1,249,120
	2022	950,720
	2023	964,800
	2024	979,200
	2025	993,760
	Thereafter	<u>2,032,160</u>
	Total	<u>\$ 7,169,760</u>

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY**

For the Year Ending December 31,	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2018	1/1/2018	1/1/2016	1/1/2016	1/1/2014	1/1/2014
Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014

**Schedule of the Department's Proportionate Share
of the Net Pension Liability (NPL):**

Department's Portion of the NPL	0.2193%	0.2275%	0.2232%	0.1879%	0.1807%	0.2356%
Department's Proportionate Share of the NPL	\$ 1,951,788	\$ 2,062,729	\$ 1,819,892	\$ 1,573,906	\$ 1,282,578	1,401,952
Department's Total Employee Payroll	\$ 667,702	\$ 702,823	\$ 656,061	\$ 616,279	\$ 548,260	551,872
NPL as a Percentage of Total Employee Payroll	292.31%	293.49%	277.40%	255.39%	233.94%	254.04%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	47.40%	43.05%	46.40%	42.00%	44.52%	47.94%

Schedule of Contributions:

Actuarially Determined Contributions	\$ 133,509	\$ 126,650	\$ 112,929	\$ 91,276	\$ 81,287	93,105
Contributions in Relation to the Actuarially Determined Contribution	<u>133,509</u>	<u>126,650</u>	<u>112,929</u>	<u>91,276</u>	<u>81,287</u>	<u>93,105</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's Total Employee Payroll	\$ 667,702	\$ 702,823	\$ 656,061	\$ 616,279	\$ 548,260	551,872
Contributions as a Percentage of the Department's Total Employee Payroll	20.00%	18.02%	17.21%	14.81%	14.83%	16.87%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, pension plans should present information for those years for which information is available.

**PRINCETON MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service Cost	\$ 36,071	\$ 29,796	\$ 24,495
Interest	25,979	26,014	25,972
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(343,363)	-	(38,954)
Changes of Assumptions	80,620	60,256	-
Benefit Payments	(17,165)	(16,231)	(15,127)
Net Change in Total OPEB Liability	<u>(217,858)</u>	<u>99,835</u>	<u>(3,614)</u>
Total OPEB Liability - Beginning	771,796	671,961	675,575
Total OPEB Liability - Ending	<u>\$ 553,938</u>	<u>\$ 771,796</u>	<u>\$ 671,961</u>
Plan Fiduciary Net Position:			
Contributions-Employer	\$ 17,165	\$ 16,231	\$ 15,127
Net Investment Income	-	-	-
Benefit Payments	(17,165)	(16,231)	(15,127)
Administrative Expenses	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending	<u>\$ 553,938</u>	<u>\$ 771,796</u>	<u>\$ 671,961</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedules of Net OPEB Liability:			
Total OPEB Liability	\$ 553,938	\$ 771,796	\$ 671,961
Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>\$ 553,938</u>	<u>\$ 771,796</u>	<u>\$ 671,961</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%	0.00%
Covered Payroll	\$ 599,874	\$ 487,403	\$ 473,207
Net OPEB Liability as a Percentage of Covered Payroll	92.34%	158.35%	142.00%
Schedules of Employer Contributions:			
Actuarially Determined Contributions	\$ 52,043	\$ 69,176	\$ 60,821
Contributions in relation to the actuarially determined contribution	<u>17,165</u>	<u>16,231</u>	<u>15,127</u>
Contribution Deficiency (Excess)	<u>\$ 34,878</u>	<u>\$ 52,945</u>	<u>\$ 45,694</u>
Covered Payroll	\$ 599,874	\$ 487,403	\$ 473,207
Contributions as a percentage of covered payroll	2.86%	3.33%	3.20%
Schedules of Investment Returns:			
Annual Money-Weighted rate of Return, net of investment expenses	N/A	N/A	N/A

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020 AND 2019

NOTE A – NET PENSION LIABILITY:

Changes in Assumptions

The discount rate was decreased from 7.75% as of the measured date December 31, 2018 to 7.65% as of the measured date December 31, 2019.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS:

Changes in Assumptions

The discount rate decreased from 3.25% as of December 31, 2019 to 2.00% as of December 31, 2020.

The expected long-term healthcare trend rate has decreased from 5.0% as of December 31, 2019, to 4.5% as of December 31, 2020.

PRINCETON MUNICIPAL LIGHT DEPARTMENT
SCHEDULES OF ELECTRIC OPERATING AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
POWER SUPPLY EXPENSE:		
Purchased Power	\$ 1,658,447	\$ 1,559,392
Transmission by Others	<u>138,299</u>	<u>118,905</u>
TOTAL POWER SUPPLY EXPENSE	<u>1,796,746</u>	<u>1,678,297</u>
DISTRIBUTION EXPENSES:		
Operation Labor	156,510	76,802
Operation Supplies and Expenses	46,371	61,889
Maintenance of Overhead Lines	211,310	194,534
Maintenance of Structures/Equipment	2,385	2,551
Maintenance of Line Transformers	0	1,101
Maintenance of Meters	556	1,009
Maintenance of Street Lights	<u>1,385</u>	<u>1,576</u>
TOTAL DISTRIBUTION EXPENSES	<u>418,517</u>	<u>339,462</u>
CUSTOMER ACCOUNT EXPENSES:		
Meter Reading	5,075	11,226
Accounting and Collection Expense	142,076	101,238
Bad Debt Expense	3,013	412
Energy Audits	<u>32,349</u>	<u>42,031</u>
TOTAL CUSTOMER ACCOUNT EXPENSES	<u>182,513</u>	<u>154,907</u>
ADMINISTRATIVE AND GENERAL EXPENSES:		
Administration and General Salaries	201,134	248,147
Office Supplies and Expenses	32,788	32,370
Outside Services Employed	52,468	27,220
Property Insurance	38,600	45,579
Injuries and Damages	63,160	42,515
Employee Benefits	359,087	450,064
Miscellaneous General Expense	1,018	0
Maintenance of General Plant	<u>74,233</u>	<u>86,343</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	<u>822,488</u>	<u>932,238</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 3,220,264</u>	<u>\$ 3,104,904</u>

See Independent Auditors' Report

PRINCETON MUNICIPAL LIGHT DEPARTMENT
SCHEDULES OF SALES OF ELECTRICITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Net Revenues			Kilowatt Hours Sold			Net Revenue Per Kilowatt Hours Sold	
			Increases (Decreases)			Increases (Decreases)		
	2020	2019		2020	2019		2020	2019
Sales of Electricity								
Residential Sales, Net of Discounts of \$123,446 and \$114,987 in 2020 and 2019, Respectively	\$ 3,193,449	\$ 2,977,141	\$ 216,308	12,686,284	11,762,009	924,275	\$ 0.25172	\$ 0.25312
Commercial and Industrial Sales	414,170	416,629	(2,459)	1,609,333	1,615,039	(5,706)	0.25736	0.25797
Special Street Lighting	12,110	13,349	(1,239)	51,138	51,138	0	0.23681	0.26104
Total Private Customers	<u>3,619,729</u>	<u>3,407,119</u>	<u>212,610</u>	<u>14,346,755</u>	<u>13,428,186</u>	<u>918,569</u>	<u>0.25230</u>	<u>0.25373</u>
Municipal Sales								
Street Lighting	1,548	7,660	(6,112)	11,596	33,474	(21,878)	0.13349	0.22883
Municipal Buildings	107,685	121,312	(13,627)	417,851	474,501	(56,650)	0.25771	0.25566
Total Municipal Sales	<u>109,233</u>	<u>128,972</u>	<u>(19,739)</u>	<u>429,447</u>	<u>507,975</u>	<u>(78,528)</u>	<u>0.25436</u>	<u>0.25389</u>
Sales for Resale	<u>167,692</u>	<u>188,348</u>	<u>(20,656)</u>	<u>4,133,029</u>	<u>3,680,160</u>	<u>452,869</u>	<u>0.04057</u>	<u>0.05118</u>
Total Sales of Electricity	<u><u>\$ 3,896,654</u></u>	<u><u>\$ 3,724,439</u></u>	<u><u>\$ 172,215</u></u>	<u><u>18,909,231</u></u>	<u><u>17,616,321</u></u>	<u><u>1,292,910</u></u>	<u><u>\$ 0.20607</u></u>	<u><u>\$ 0.21142</u></u>

See Independent Auditors' Report