PRINCETON PUBLIC UTILITIES COMMISSION
(PROPRIETARY FUND TYPE)
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
WITH
INDEPENDENT AUDITOR'S REPORT

Mayer, Porter & Nelson, Ltd.
Certified Public Accountants

PRINCETON PUBLIC UTILITIES COMMISSION

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PRINCETON PUBLIC UTILITIES COMMISSION
ORGANIZATION

December 31, 2019

Mindi Siercks	Chairman
Greg Hanson *	Commissioner
Dan Erickson	Commissioner
Keith Butcher +	General Manager

*Appointed July 2019 to fill the vacant seat created when Henry Findell resigned in May 2019

+Hired May 2019 to replace Connie Wangen, who retired in May 2019

Mayer, Porter & Nelson, Ltd.
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Princeton Public Utilities Commission
Princeton, Minnesota 55371

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Princeton Public Utilities Commission, Princeton, Minnesota, component unit of the City of Princeton, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission'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 U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Commission'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 Commission'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Princeton Public Utilities Commission, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, which follows this letter, and the remaining required supplementary information, as listed in the table of contents, 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 U.S. generally accepted auditing standards, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Princeton Public Utilities Commission's basic financial statements. The statistical tables on pages 33-36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the Princeton Public Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Princeton Public Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton Public Utilities Commission's internal control over financial reporting and compliance.

Mayer, Park & Nelson, Ltd.

Staples, Minnesota
June 17, 2020

PRINCETON PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL STATEMENTS OVERVIEW

This discussion and analysis of the Princeton Public Utilities Commission's performance provides an overview of the Commission's activities for the year ended December 31, 2019. The information presented should be read in conjunction with the financial statements and the accompanying notes to the basic financial statements.

The Princeton Public Utilities Commission follows the Uniform System of Accounting prescribed by the Federal Energy Regulatory Commission. The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The financial statements include the Commission-wide financial statements: statement of net position and statement of activities; and the fund financial statements: statement of net position; statement of revenues, expenses and changes in fund net position; and the statement of cash flows.

The statement of net position provides information about the nature of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Princeton Public Utilities Commission as of the end of the year. The statement of activities and the statement of revenues, expenses and changes in fund net position reports revenues and expenses for each utility for the year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital related, capital and related financing activities, and investing activities.

FINANCIAL HIGHLIGHTS

The following table summarizes the financial position of the Princeton Public Utilities Commission as of December 31:

Condensed statement of net position

	2019	2018
Capital assets - net	$ 14,605,560	$ 15,121,675
Current assets	7,417,219	7,106,075
Noncurrent assets (restricted)	1,181,931	1,182,586
Total assets	23,204,710	23,410,336
Pension plan deferments - PERA	86,193	182,054
Total assets and deferred outflows of resources	$ 23,290,903	$ 23,592,390
Current liabilities	$ 1,786,418	$ 1,756,710
Long-term liabilities		
Other long-term liabilities	4,447,584	5,398,528
Net pension liability	917,778	904,258
Total liabilities	7,151,780	8,059,496
Deferred credits rate stabilization	1,307,198	1,346,853
Pension plan deferments - PERA	220,445	312,497
Deferred solar subscriptions	11,852	13,545
Total deferred inflows of resources	1,539,495	1,672,895
Total liabilities and deferred inflows of resources	$ 8,691,275	$ 9,732,391
Net position		
Net investment in capital assets	$ 9,371,560	$ 8,991,675
Restricted for debt service	1,181,931	1,182,586
Unrestricted	4,046,137	3,685,738
Total net position	$ 14,599,628	$ 13,859,999

Condensed statement of net position highlights are as follows:

The assets of the Public Utilities Commission exceeded liabilities at the close of 2019 in the amount of $14,599,628 (net position). This is an increase of $739,629 over net position at the close of 2018. The largest portion of Princeton Public Utilities net position reflects its investments in capital assets (e.g. buildings, structures and improvements, generating plant equipment, water treatment equipment, distribution lines and mains, meters, transportation and power operated equipment) less the related debt used to acquire those assets that is still outstanding.

Net capital assets decreased $516,115. This investment in capital assets includes the electric distribution system and generating plant building and equipment and the water distribution system, wells, towers and water treatment facilities. The biggest increases in capital assets were in the electric department for continued electric upgrades that increased the system voltage from 4,160 V to 12,470 V and new AMI meters. The net decrease in net capital assets is due to the excess of depreciation over additions.

Current assets increased $311,144. Current assets consist of cash and working funds, temporary investments (maturities of one year or less), accounts receivables, inventories, and prepayments.

Non-current assets decreased $655. Non-current assets consist of restricted cash for bond covenant requirements.

Deferred outflows of resources reported by the Commission are pension plan deferments for PERA, which decreased $95,861. The Commission's balance is a result of differences between expected and actual economic experience, changes of actuarial assumptions, changes in proportion, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period.

Current liabilities increased $29,708. Current liabilities consists of accounts payable, customer meter deposits on hand, due to City and current maturities of bonds.

Long-term liabilities decreased by $937,424, due to the principal payments made to long-term debt and changes in compensated absences and net pension liability.

Deferred inflows of resources reported by the Commission decreased by $133,400. Deferred credits (revenue), which represent rate stabilization, decreased. Rate stabilization is a result of deposits made to the Commission's rate stabilization account, which may be used to meet unanticipated increases in revenue requirements in subsequent periods. In 2019, $39,655 was transferred from the rate stabilization account to minimize rate impacts on customers. Another type of deferred inflow of resources reported by the Commission are pension plan deferments for PERA, which decreased by $92,052. The Commission's balance is a result of the difference between projected and actual economic experience, projected and actual earnings on pension plan investments, changes in actuarial assumptions, and due to changes in the Commission's proportionate share of contributions. The last type of deferred inflow of resources reported by the Commission are deferred solar subscriptions, which decreased by $1,693. The Commission gives customers an option to purchase solar panel subscriptions for 5, 10 or 20 years for which they pay the entire subscription in the first year.

The following table summarizes revenues, expenses, and changes in net position of the Public Utilities Commission for the years ended December 31:

Condensed statement of revenues, expenses and changes in net position

	2019	2018
Electric		
Operating revenues, electric sales	$ 6,655,093	$ 6,985,982
Other electric operating revenues	843,547	575,960
Total electric operating revenues	7,498,640	7,561,942
Operating expenses	6,989,126	7,139,594
Total electric operating income	509,514	422,348
Other electric income	88,815	72,919
Other electric expense	(134,778)	(147,426)
Change in net position, electric	463,551	347,841
Water		
Operating revenues, water sales	$ 1,241,026	$ 1,353,681
Other water operating revenues	63,506	44,964
Total water operating revenues	1,304,532	1,398,645
Operating expenses	929,433	920,719
Total water operating income	375,099	477,926
Other water income	25,354	14,488
Other water expense	(124,375)	(136,769)
Change in net position, water	276,078	355,645
Total all funds		
Operating revenues	$ 8,803,172	$ 8,960,587
Operating expenses	7,918,559	8,060,313
Total operating income	884,613	900,274
Other income	114,169	87,407
Other expense	(259,153)	(284,195)
Total change in net position	739,629	703,486
Net position - beginning	13,859,999	13,156,513
Net position - ending	$ 14,599,628	$ 13,859,999

Condensed statement of revenues, expenses, and changes in net position highlights are as follows:

Electric –
2019 Compared to 2018

Revenue from electric sales decreased in the amount of $330,889. Sales decreased due to a 4% rate decrease in 2019. Other electric operating revenue increased $267,587. This increase was the result of an increase in reimbursements from Southern Minnesota Municipal Power Agency (SMMPA) due to an increase in residential, commercial and low-income rebates and also a one-time rate stabilization refund from SMMPA. Other operating revenue also consists of life-of-unit diesel (which includes operating and maintenance costs of the generation plant) and quick start payments received from Southern Minnesota Municipal Power Agency (SMMPA). These revenue accounts are explained in detail in Note 7.

Overall electric operating expenses decreased $150,468 in 2019, broken down as follows: administrative and customer account expenses increased $154,064, power production and distribution expenditures decreased $303,361, and depreciation costs decreased by $1,171.

Other income increased $15,896 due to an increase in interest income and miscellaneous income such as scrap sales. Other expense decreased by $12,648, as the interest expense paid on long-term debt decreased $15,072 and interest expense paid on customer deposits increased $2,424.

Water –
2019 Compared to 2018

Revenue from water sales decreased $112,655. Sales decreased due to a 4% rate decrease in 2019. Revenue from the sale of water to residential customers decreased $94,113. The sale of water to commercial customers decreased $47,742 and the sale of water to industrial customers decreased $2,402. Miscellaneous water revenue, included within water sales, increased $31,602 due to an increase in water connections, construction and trunk fees, and service line repair fees. Other water operating revenue increased $18,542. Other operating revenue consists of rent/lease income, merchandise sales and other operating revenue.

Water operating expenses increased by $8,714, which resulted from increases in administrative and customer account expenses of $20,733 and depreciation expense of $11,468 and decreases in production costs of $1,068 and distribution costs of $22,419.

Other income increased $10,866. Other expense decreased by $12,394, due to the reduction of interest expense on long-term debt.

Combined Utilities

The total change in net position in 2019 was an increase in the amount of $739,629.

Economic Factors

In 2019 the overall economy in the City of Princeton continued to grow slightly with some residential and commercial expansion. In addition, Princeton Public Utilities Commission welcomed a new General Manager, a new Electric Superintendent, and two new Commissioners (all due to retirement). The financial position of Princeton Public Utilities Commission remains strong.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Princeton Public Utilities Commission, Princeton, MN finances for all those expressing an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Princeton Public Utilities Commission, PO Box 218, Princeton, MN 55371, or telephone 763-389-2252.

PRINCETON PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION
December 31, 2019

	Business-type Activities
Assets	
Current assets:	
Cash and cash equivalents	$ 3,056,830
Cash and cash equivalents - capital improvements	1,925,124
Investments	1,050,096
Customer accounts receivable	790,830
Other accounts receivable	83,599
Due from City	11,021
Inventories	491,780
Prepaid insurance	7,939
Total current assets	7,417,219
Restricted assets:	
Cash and cash equivalents:	
Reserve fund	564,088
Debt retirement	370,285
Restricted cash held in escrow	247,558
Total restricted assets	1,181,931
Property and equipment, net	14,605,560
Total assets	23,204,710
Deferred Outflows of Resources	
Pension plan deferments - PERA	86,193
Total assets and deferred outflows of resources	23,290,903
Liabilities	
Current liabilities:	
Accounts payable	421,408
Accrued payroll and taxes	38,594
Due to City	112,851
Customer meter deposits	244,718
Unearned revenue	20,729
Total current liabilities	838,300
Current liabilities payable from restricted assets:	
Accrued interest	20,118
Current maturities of bonds, loans and capital leases	928,000
Total current liabilities payable from restricted assets	948,118
Non-current liabilities:	
Bonds, notes and loan payable	4,306,000
Net pension liability	917,778
Compensated absences	141,584
Total non-current liabilities	5,365,362
Total liabilities	7,151,780
Deferred Inflows of Resources	
Deferred credits rate stabilization	1,307,198
Pension plan deferments - PERA	220,445
Deferred solar subscriptions	11,852
Total deferred inflows of resources	1,539,495
Total liabilities and deferred inflows of resources	8,691,275
Net Position	
Net investment in capital assets	9,371,560
Restricted for debt service	1,181,931
Unrestricted	4,046,137
Total net position	$ 14,599,628

See notes to financial statements

PRINCETON PUBLIC UTILITIES COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Business-type Activities
Business-type activities:			
Electric	$ 7,123,904	$ 7,498,640	$ 374,736
Water	1,053,808	1,304,532	250,724
Total business-type activities	$ 8,177,712	$ 8,803,172	625,460
General revenues:			
Unrestricted investment earnings			87,147
Change in fair market value of investments			197
Miscellaneous			26,825
Total general revenues and special items			114,169
Change in net position			739,629
Net position - beginning of year			13,859,999
Net position - end of year			$ 14,599,628

See notes to financial statements

PRINCETON PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	Electric Fund	Water Fund	Totals
Assets			
Current assets:			
Cash and cash equivalents	$ 2,388,346	$ 668,484	$ 3,056,830
Cash and cash equivalents - capital improvements	877,269	1,047,855	1,925,124
Investments	840,077	210,019	1,050,096
Customer accounts receivable	698,754	92,076	790,830
Other accounts receivable	81,249	2,350	83,599
Due from City		11,021	11,021
Inventories	443,485	48,295	491,780
Prepaid insurance	7,939		7,939
Total current assets	5,337,119	2,080,100	7,417,219
Restricted assets:			
Cash and cash equivalents:			
Reserve fund	466,588	97,500	564,088
Debt retirement	264,664	105,621	370,285
Restricted cash held in escrow	247,558		247,558
Total restricted assets	978,810	203,121	1,181,931
Property and equipment, net	8,402,274	6,203,286	14,605,560
Total assets	14,718,203	8,486,507	23,204,710
Deferred Outflows of Resources			
Pension plan deferments - PERA	74,262	11,931	86,193
Total assets and deferred outflows of resources	14,792,465	8,498,438	23,290,903
Liabilities			
Current liabilities:			
Accounts payable	412,793	8,615	421,408
Accrued payroll and taxes	33,286	5,308	38,594
Due to City	112,851		112,851
Customer meter deposits	244,718		244,718
Unearned revenue		20,729	20,729
Total current liabilities	803,648	34,652	838,300
Current liabilities payable from restricted assets:			
Accrued interest	9,664	10,454	20,118
Current maturities of bonds, loans and capital leases	505,000	423,000	928,000
Total current liabilities payable from restricted assets	514,664	433,454	948,118
Non-current liabilities:			
Bonds, notes and loan payable	2,140,000	2,166,000	4,306,000
Net pension liability	721,335	196,443	917,778
Compensated absences	118,592	22,992	141,584
Total non-current liabilities	2,979,927	2,385,435	5,365,362
Total liabilities	4,298,239	2,853,541	7,151,780
Deferred Inflows of Resources			
Deferred credits rate stabilization	1,307,198		1,307,198
Pension plan deferments - PERA	173,200	47,245	220,445
Deferred solar subscriptions	11,852		11,852
Total deferred inflows of resources	1,492,250	47,245	1,539,495
Total liabilities and deferred inflows of resources	5,790,489	2,900,786	8,691,275
Net Position			
Net investment in capital assets	5,757,274	3,614,286	9,371,560
Restricted for debt service	978,810	203,121	1,181,931
Unrestricted	2,265,892	1,780,245	4,046,137
Total net position	$ 9,001,976	$ 5,597,652	$ 14,599,628

See notes to financial statements

PRINCETON PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2019

	Electric Fund	Water Fund	Totals
Operating revenues	$ 7,498,640	$ 1,304,532	$ 8,803,172
Operating expenses:			
Production, plant and purchased power:			
Salaries	222,989	73,802	296,791
Natural gas	11,634		11,634
Repairs and maintenance	201,453	34,499	235,952
Purchased power and for pumping	4,202,690	30,937	4,233,627
Subtotal	4,638,766	139,238	4,778,004
Distribution system:			
Salaries	451,072	96,629	547,701
Supplies and maintenance	169,915	59,566	229,481
Subtotal	620,987	156,195	777,182
Customer accounts:			
Salaries	124,880	57,187	182,067
Supplies and maintenance	26,660	5,838	32,498
Bad debts	475	99	574
Subtotal	152,015	63,124	215,139
General and administrative:			
Salaries	131,463	61,686	193,149
Office supplies and expense	23,075	3,569	26,644
Telephone	4,618	871	5,489
Outside services	83,600	18,005	101,605
Insurance	25,068	7,148	32,216
Employee pensions and benefits	462,583	96,952	559,535
Dues and subscriptions	10,609	1,948	12,557
Miscellaneous administrative	137,062	3,893	140,955
Subtotal	878,078	194,072	1,072,150
Depreciation	699,280	376,804	1,076,084
Total operating expenses	6,989,126	929,433	7,918,559
Operating income	509,514	375,099	884,613
Nonoperating revenues (expense):			
Interest income	63,949	23,198	87,147
Change in fair value of investments	158	39	197
Miscellaneous income and expense	24,708	2,117	26,825
Interest expense	(103,278)	(103,375)	(206,653)
Payments to City in lieu of taxes	(31,500)	(21,000)	(52,500)
Subtotal	(45,963)	(99,021)	(144,984)
Change in net position	463,551	276,078	739,629
Net position - beginning of year	8,538,425	5,321,574	13,859,999
Net position - end of year	$ 9,001,976	$ 5,597,652	$ 14,599,628

See notes to financial statements

PRINCETON PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2019

	Electric Fund	Water Fund	Totals
Cash flows from operating activities:			
Receipts from customers	$ 7,394,461	$ 1,319,634	$ 8,714,095
Payments to suppliers	(5,359,093)	(268,941)	(5,628,034)
Payments to employees	(937,088)	(289,598)	(1,226,686)
Net cash provided by operating activities	1,098,280	761,095	1,859,375
Cash flows from noncapital financing activities:			
Miscellaneous income	24,708	2,117	26,825
Payments to City in lieu of taxes	(31,500)	(21,000)	(52,500)
Net cash (used in) noncapital financing activities	(6,792)	(18,883)	(25,675)
Cash flows from capital and related financing activities:			
Principal payments on bonds	(495,000)	(401,000)	(896,000)
Interest payments on bonds	(105,269)	(105,023)	(210,292)
Acquisition of fixed assets	(287,592)	(272,377)	(559,969)
Net cash (used in) capital and related financing activities	(887,861)	(778,400)	(1,666,261)
Cash flows from investing activities:			
Investment income received	63,949	23,198	87,147
Purchases of investments	(21,265)	(5,316)	(26,581)
(Increase) of restricted cash held in escrow	(4,146)		(4,146)
Net cash provided by investing activities	38,538	17,882	56,420
Net increase (decrease) in cash and cash equivalents	242,165	(18,306)	223,859
Cash and cash equivalents at beginning of year	3,754,702	1,937,766	5,692,468
Cash and cash equivalents at end of year	$ 3,996,867	$ 1,919,460	$ 5,916,327
Cash and cash equivalents	$ 3,265,615	$ 1,716,339	$ 4,981,954
Restricted cash and cash equivalents	731,252	203,121	934,373
Total cash and cash equivalents	$ 3,996,867	$ 1,919,460	$ 5,916,327
Cash flows from operating activities:			
Operating income	$ 509,514	$ 375,099	$ 884,613
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	699,280	376,804	1,076,084
Pension related activity	3,633	176	3,809
Change in assets and liabilities:			
(Increase) decrease in customer accounts receivable	(37,501)	346	(37,155)
(Increase) in other accounts receivable	(29,384)	(1,837)	(31,221)
Decrease in due from City		13,014	13,014
(Increase) decrease in inventories	(13,709)	913	(12,796)
Decrease in prepaid insurance	12,452		12,452
Increase (decrease) in accounts payable	694	(6,529)	(5,835)
(Decrease) in accrued payroll and taxes	(348)	(1,015)	(1,363)
Increase in due to City	912		912
Increase in meter deposits payable	4,054		4,054
Increase in unearned revenue		3,579	3,579
(Decrease) in compensated absences	(19,546)	(3,398)	(22,944)
Increase in net pension liability	9,577	3,943	13,520
Change in deferred inflows of resources:			
(Decrease) in deferred rate stabilization	(39,655)		(39,655)
(Decrease) in deferred solar subscriptions	(1,693)		(1,693)
Total adjustments	588,766	385,996	974,762
Net cash provided by operating activities	$ 1,098,280	$ 761,095	$ 1,859,375

See notes to financial statements

1. Summary of significant accounting policies

Financial reporting entity -

The Princeton Public Utilities Commission, for financial reporting purposes, includes all of the funds relevant to the operations of the utilities commission for which the Commission exercises oversight responsibility. Factors in determining oversight responsibility include funding, appointment of governing boards, hiring and firing personnel, etc. The financial statements presented herein do not include agencies which have been formed under applicable state laws as separate and distinct units of government apart from the Princeton Public Utilities Commission, for which the Commission does not exercise oversight responsibility. The operations of the City of Princeton are specifically excluded from these financial statements.

Basis of presentation -

The accompanying financial statements of the Princeton Public Utilities Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basic financial statement presentation -

The Princeton Public Utilities Commission is responsible for two enterprise funds of the City of Princeton. These include the electric and water funds. A monthly cash payment is made to the City in lieu of taxes. For purposes of the statement of cash flows, the electric and water funds include restricted assets as cash - see also Notes 2 and 5.

The Princeton Public Utilities Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation and interest expenses can be specifically identified by function and are included in the direct expenses of each function.

Measurement focus and basis of accounting -

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Revenues that are not classified as program revenues are presented as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of production, distribution, administrative and customer accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Commission reports the following major proprietary funds:

Electric Fund
The Electric Fund accounts for the activities related to the operation and maintenance of the Commission's electric utility system.

Water Fund
The Water Fund accounts for the activities related to the operation and maintenance of the Commission's water utility system.

Cash and cash equivalents -

For the purpose of reporting cash flows, the Commission considers all demand accounts, savings accounts, money market funds and CD's to be cash and cash equivalents.

Investments -

Investments consist primarily of money market accounts, negotiable certificates of deposit and municipal bonds. Investments with an original maturity of less than one year are recorded at amortized cost, which approximates fair value. Investments with an original maturity of more than one year are recorded at fair value based on quoted market prices.

Uncollectibles -

It is the Commission's policy to charge uncollectibles directly to operations as accounts become worthless. No material losses are anticipated from present receivable balances; therefore, no allowance for uncollectibles is reflected in the accompanying financial statements.

Inventories -

Inventories, which consist of supplies and replacement parts for the electrical and water systems are stated at lower of average cost or market and are reported on the consumption method.

Capital assets -

Capital assets, which include property, plant and equipment, are recorded at cost. Capital assets are defined by the Commission as assets with an initial, individual cost equal to or greater than $1,500. Such assets are recorded at historical cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the assets and accumulated depreciation accounts and any gains or losses thereon are reflected in operations.

Depreciation -

Annual depreciation rates are computed using the straight-line method at the following rates based on the estimated service lives of the various assets:

	Electric	Water
Buildings	2.5-4.0%	4.0-6.5%
Production & treatment	3.5-7.5%	5.0-6.5%
Tools	20.0%	20.0%
Distributions	3.3%	3.0%
General	12.2-15.0%	

Deferred outflows/inflows of resources -

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time. The Commission has one item that qualifies for reporting in this category. The Commission presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources in relation to the activity of the pension funds in which Commission employees participate.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has three items that qualify for reporting in this category. The Commission presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions. Deferred inflows of resources related to pensions results from actuarial calculations. The Commission also presents deferred credits (revenue), which represent rate stabilization as a deferred inflow of resources. Rate stabilization is a result of deposits made to the Commission's rate stabilization account, which may be used to meet unanticipated increases in revenue requirements in subsequent periods. The last type of deferred inflow of resources reported by the Commission are deferred solar subscriptions. The Commission gives customers an option to purchase solar panel subscriptions for 5, 10 or 20 years for which they pay the entire subscription in the first year.

Long-term obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities and proprietary fund type statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the effective interest method.

Pensions -

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated absences -

Sick leave is earned up to twelve days per year with unlimited accumulation. Employees are not compensated for unused sick leave upon termination of employment other than to pay certain employees with ten years of service, up to a maximum of 60 days. The liability for compensated absences for the nine employees eligible at December 31, 2019 totaled $141,584.

Employees earn vacation days based upon the number of completed years of service. The Commission does not compensate for unused vacations upon termination of employment, other than for the current year's unused portion.

Net position –

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide financial statements as well as the proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Estimates -

The preparation of financial statements in conformity with U.S. 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.

Subsequent events -

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through, June 17, 2020, the date the financial statements were available to be issued. Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Commission, COVID-19 might impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Commission is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

2. Cash and investments

Deposits -

In accordance with applicable Minnesota Statutes, the Commission maintains deposits at depository banks authorized by the Commission.

- **Custodial credit risk** – Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission's deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

  Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds.

  Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA' or better; unrated general obligation securities of a local government pledged as collateral against funds deposited by that same local government entity; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and time deposits insured by any federal agency. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The Commission's deposit policies do not further limit depository choices.

Deposit balances at December 31, 2019 are as follows:

	Carrying amount	Bank balance
Total bank deposits (checking, savings, and CD's)	$ 5,914,192	$ 6,089,188

The Commission's deposits in banks at December 31, 2019 were entirely covered by federal depository insurance or by pledged collateral held by the bank's agent in the Commission's name in amounts equal to at least 110 percent of the amount in excess of the federal depository insurance, as required by Minnesota Statutes.

Cash on hand -

Cash in the possession of the Commission, consisting of petty cash and change funds, totaled $2,135 at year-end.

Investments -

The Commission does not have an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

A. Direct obligations or obligations guaranteed by the United States or its agencies.
B. General obligations rated "A" or better.
C. Revenue obligations rated "AA" or better.
D. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
E. Any security which is an obligation of a school district with an original maturity not exceeding 13 months, and rated in the highest category by a national bond rating service or enrolled in the credit enhancement program.
F. Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
G. Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks.
H. General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.
I. Funds held in a debt service fund may be used to purchase any obligation, whether general or special, of an issue which is payable from the fund, at such price, which may include a premium, as shall be agreed to by the holder, or may be used to redeem any obligation of such an issue prior to maturity in accordance with its terms.
J. Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" of public funds by the government entity, with banks that are members of the Federal Reserve System with certain capitalization requirements, with a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or with a securities broker-dealer properly licensed, regulated by the SEC and with certain capitalization requirements.
K. Shares of Minnesota joint powers investment trusts whose investments are restricted to securities described in A-J above or negotiable certificates of deposit; or units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency in which investments are restricted to securities described in A-J above; or shares of investment companies registered under the Federal Investment Company Act of 1940 which hold themselves out as money market funds meeting the conditions of rule 2a-7 of the SEC and rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating

categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less.

L. Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing and with a credit quality in one of the top two highest categories by a nationally recognized rating agency.

The Commission does not have any investment policies that would further limit investment choices.

The Princeton Public Utilities Commission's investments are potentially subject to various risks including the following:

- Custodial credit risk - The risk that in the event of a failure of the counterparty to an investment transaction (typically a brokerage firm or financial institution) the government would not be able to recover the value of its investments or collateral securities. Although the Commission's investment policies do not directly address custodial credit risks, it typically limits its exposure by purchasing insured or registered investments or by the control of who holds the securities.
- Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- Concentration risk – This is the risk associated with investing a significant portion of the Commission's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.
- Interest rate risk - The risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The Commission's investment policies do not limit the maturities of investments; however, the Commission considers such things as interest rates and cash flow needs when purchasing investments.

The following table presents the Commission's cash and investment balances at December 31, 2019, and information relating to potential investment risks:

	Interest rate risk	Concentration risk	Credit risk		
Cash/investments	Maturity date	Over 5% of portfolio	Rating	Agency	Carrying value
Cash on hand	N/A	N/A	N/A	N/A	$ 2,135
Deposits (checking, savings, and CD's)	N/A	N/A	N/A	N/A	5,914,192
Money Market	N/A	54.7%	Aaa	Moody	574,570
Negotiable: Certificates of Deposit					
Bank Amer Na Charlotte NC	6/12/2020	11.9%	N/A	N/A	125,000
Discover Bk Greenwood Del	6/12/2020	11.9%	N/A	N/A	125,000
Municipal bonds					
Grand Rapids MN GO Taxable	2/1/2022	21.5%	A1	Moody	225,526
Total cash and investments					$ 6,966,423

N/A - Not applicable N/R - Not rated

Capital Improvements -

In 1986 the Commission resolved that any surplus monies in the electric and water funds be transferred to a reserve account to be used for emergencies, improvements and equipment replacements. Activity in the account is as follows:

Beginning balance	$ 1,722,306
Additions	202,818
Ending balance	$ 1,925,124

3. Capital assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 33,162	$	$	$ 33,162
Total capital assets, not being depreciated	33,162	0	0	33,162
Capital assets, being depreciated				
Buildings & improvements	2,171,823			2,171,823
Generation & distribution system	26,334,627	540,256		26,874,883
Wells	558,324			558,324
Transportation equipment	819,847		(24,611)	795,236
Other equipment	831,398	19,713	(2,263)	848,848
Water tower & tank	1,843,348			1,843,348
Total capital assets, being depreciated	32,559,367	559,969	(26,874)	33,092,462
Less accumulated depreciation for:				
Buildings & improvements	1,144,177	62,610		1,206,787
Generation & distribution system	13,730,500	835,197		14,565,697
Wells	382,941	23,512		406,453
Transportation equipment	473,593	63,443	(24,611)	512,425
Other equipment	750,713	37,526	(2,263)	785,976
Water tower & tank	988,930	53,796		1,042,726
Total accumulated depreciation	17,470,854	1,076,084	(26,874)	18,520,064
Total capital assets, being depreciated - net	15,088,513	(516,115)	0	14,572,398
Business-type activities capital assets, net	$ 15,121,675	$ (516,115)	$ 0	$ 14,605,560

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:

Electric Fund	$ 699,280
Water Fund	376,804
Total depreciation expense - business-type activities	$1,076,084

4. Due from City

Due from City represents amounts the City of Princeton owes the Commission and consists of the following at December 31:

Trunk/Connection fees	$ 11,021
Total	$ 11,021

5. Long-term liabilities

Summary of changes in long-term liabilities

	01/01/19	Additions	Reductions	12/31/19	Due within one year
Revenue bonds payable	$ 6,130,000	$	$ 896,000	$ 5,234,000	$ 928,000
Severance payable	164,528	3,000	25,944	141,584	
Net pension liability - PERA	904,258	13,520		917,778	
Long-term liabilities	$ 7,198,786	$ 16,520	$ 921,944	$ 6,293,362	$ 928,000

The annual requirement to amortize all debt outstanding as of December 31, 2019 is as follows:

Year Ending	Water Fund		Electric Fund		Total	
Dec. 31	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 423,000	$ 92,016	$ 505,000	$ 83,189	$ 928,000	$ 175,205
2021	429,000	78,022	530,000	66,618	959,000	144,640
2022	440,000	63,421	555,000	48,668	995,000	112,089
2023	437,000	48,295	400,000	32,554	837,000	80,849
2024	395,000	32,773	415,000	18,553	810,000	51,326
2025	150,000	18,605	240,000	6,583	390,000	25,188
2026	155,000	12,680			155,000	12,680
2027	160,000	6,479			160,000	6,479
	$ 2,589,000	$ 352,291	$ 2,645,000	$ 256,165	$ 5,234,000	$ 608,456

Detail of long-term debt

Revenue bonds and notes at December 31, 2019 consist of the following:

Original Issue	Interest Rates	Maturity Date	Outstanding 12/31/2019	Payment Due in Year Ending 12/31/20 Principal	Interest
Water Fund					
General Obligation Water Revenue Note of 2004					
$ 847,422	2.53%	8/20/2023	$ 219,000	$ 53,000	$ 5,541
6/10/2004					
General Obligation Water Revenue Bonds Series 2008A					
$ 4,880,000	2.2 - 4.05%	12/1/2027	2,070,000	300,000	79,345
3/4/2008					
Public Utility System Refunding Revenue Bonds Series 2010A					
$ 465,000	2.00-3.50%	4/1/2022	60,000	20,000	1,695
11/18/2010					
Public Utility System Refunding Revenue Bonds Series 2012A					
$ 510,000	1.00-2.85%	4/1/2024	240,000	50,000	5,435
2/1/2012					
			2,589,000	423,000	92,016
Less current maturities			(423,000)		
Total water fund			2,166,000	423,000	92,016
Electric Fund					
Electric Revenue Note, Series 2006A					
$ 3,065,000	4.05%	12/1/2025	$ 1,265,000	$ 185,000	$ 48,785
4/2/2006					
Public Utility System Refunding Revenue Bonds Series 2010A					
$ 2,575,000	2.00-3.50%	4/1/2022	485,000	155,000	13,829
11/18/2010					
Public Utility System Refunding Revenue Bonds Series 2012A					
$ 1,940,000	1.00-2.85%	4/1/2024	895,000	165,000	20,575
2/1/2012					
			2,645,000	505,000	83,189
Less current maturities			(505,000)		
Total electric fund			2,140,000	505,000	83,189
Total all funds			$ 4,306,000	$ 928,000	$ 175,205

The following restrictions on assets have been established to comply with agreements related to the outstanding revenue bonds:

Reserve fund -

Bond and note covenants require a reserve account in the amount of $811,646 be established, $97,500 in the water fund and $714,146 in the electric fund of which $247,558 is being held in escrow.

Debt retirement -

The 2012, 2010, 2008 and 2004 water revenue bond and note indentures require the water fund to set aside an amount equal to not less than one-sixth of the interest due within the next six months and monthly to set aside an amount equal to not less than one-twelfth of the principal due within the next twelve months. The total set aside as of December 31, 2019 is $105,621.

The 2012, 2010 and 2006 electric revenue bond and note indenture requires the electric fund to set aside an amount equal to not less than one-sixth of the interest due within the next six months and monthly to set aside an amount equal to not less than one-twelfth of the principal due within the next twelve months. The total set aside at December 31, 2019 is $264,664.

Restricted cash held in escrow -

Restricted cash held in escrow as of December 31, 2019 consists of $247,558 of cash proceeds from the Electric Revenue note, series 2006A.

6. Operating revenues

Operating revenues in the electric fund consist of the following:

Residential services	$ 2,337,427
Commercial lighting	710,931
Power and lighting	3,440,203
Security lights	20,146
Life-of-unit diesel	356,799
Quick start	174,240
Penalties and connection charges	106,731
Rate stabilization	39,655
Other operating revenues	312,508
Total operating revenues	$ 7,498,640

The Princeton Public Utilities Commission purchases power from Southern Minnesota Municipal Power Agency (SMMPA) under a power sales contract that extends to April 1, 2050. Under the terms of that contract, the Commission is obligated to buy all the electrical power and energy needed to operate the electric utilities through the term of the contract, unless the

Commission elects to exercise an option under the contract to establish a fixed Contract Rate of Delivery upon seven years notice.

In addition, on January 2, 2001, the Commission entered into an Amended and Restated Capacity Purchase Agreement (amending the original 1995 Capacity Purchase Agreement) with SMMPA, whereby SMMPA is entitled to the exclusive use of the net electric generating capability, and associated energy, of the Diesel Generating Facilities. Under the terms of this agreement, SMMPA is responsible for all costs of operations and maintenance, including certain costs associated with generating plant personnel and renewal and replacement costs. The payments for such expenses are shown above in the operating revenues graph under "Life-of-unit diesel". This agreement is cancelable by either party upon a five-year notice, or by SMMPA with a one-year notice if renewal and replacement costs are deemed to make continued operation of the generation uneconomic.

On December 20, 2001, the Commission entered into a Quick-Start Capacity and Energy Purchase Agreement with SMMPA. Under the terms of this 20-year agreement, SMMPA pays to the Commission a monthly payment for the exclusive right to all capacity and associated energy from the quick-start generating plant (specified generation facilities that do not include the Diesel Generating Facilities referred to above) and is responsible for the cost of fuel when the plant is operated. The Commission is responsible for all operating, maintenance, renewal and replacement costs associated with quick-start generation. The revenues from SMMPA associated with quick-start generation are shown above in the operating revenues graph under “Quick Start”.

7. Due to City

Due to City represents amounts owing to the City of Princeton and consists of the following at December 31:

Sewer collections	$ 112,851
Total	$ 112,851

8. Rate stabilization provision

The Princeton Public Utilities Commission designs its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, each year the Commission determines a rate stabilization amount to be charged or credited to revenues. For the year ended December 31, 2019, $39,655 was used and recognized as revenue from the rate stabilization account.

9. Defined benefit pension plans

A. Plan description

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2019, were $89,748. The Commission's contributions were equal to the required contributions as set by state statute.

D. Pension costs

1. General Employees Fund pension costs

At December 31, 2019, the Commission reported a liability of $917,778 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled $28,499. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Commission's proportion was .0166% which was an increase of .0003% from its proportionate share measured as of June 30, 2018.

Commission's proportionate share of the net pension liability	$ 917,778
State of Minnesota's proportionate share of the net pension liability associated with the Commission	28,499
Total	$ 946,277

For the year ended December 31, 2019, the Commission recognized pension expense of $81,073 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional $2,134 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2019, the Commission reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual economic experience	$ 26,194	$
Changes in actuarial assumptions		74,091
Difference between projected and actual investment earnings		93,548
Changes in proportion	12,482	52,806
Contributions paid to PERA subsequent to the measurement date	47,517	
	$ 86,193	$ 220,445

The $47,517 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension expense amount
2020	$ (74,882)
2021	(94,502)
2022	(13,865)
2023	1,480
Total	$ (181,769)

E. Actuarial assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund
Changes in actuarial assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in plan provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	35.5%	5.10%
Private markets	25.0%	5.90%
Fixed income	20.0%	0.75%
International equity	17.5%	5.90%
Cash equivalents	2.0%	0.00%
Total	100%	

F. Discount rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

The following presents the Commission's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis

Net Pension Liability at Different Discount Rates		
	General Employees Fund	
1% Lower	6.50%	$ 1,508,776
Current Discount Rate	7.50%	917,778
1% Higher	8.50%	429,790

H. Pension plan fiduciary net position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

10. Risk management

The Commission is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. In order to protect against these risks of loss, the Commission purchases commercial insurance through the League of Minnesota Cities Insurance Trust, a public entity risk pool. This pool currently operates common risk management and insurance programs for municipal entities. The Commission pays an annual premium to the League for its insurance coverage. The League of Minnesota Cities Insurance Trust is self-sustaining through commercial companies for excess claims. The Commission is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

During the year ended December 31, 2019, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Commission's commercial coverage in any of the past three years.

11. Related party transactions

A business, to which a Commissioner has an ownership interest, was contracted to print brochures, provide office supplies, and conduct website maintenance for a total of $7,612.

REQUIRED SUPPLEMENTARY INFORMATION

PRINCETON PUBLIC UTILITIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PERA CONTRIBUTIONS
For the Year Ended December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	$ 78,398	$ 78,398	$ 0	$ 1,045,308	7.50%
December 31, 2016	85,248	85,248	0	1,136,646	7.50%
December 31, 2017	82,805	82,805	0	1,104,062	7.50%
December 31, 2018	86,249	86,249	0	1,149,985	7.50%
December 31, 2019	89,748	89,748	0	1,196,640	7.50%

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

PRINCETON PUBLIC UTILITIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
For the Year Ended December 31, 2019

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Commission (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Commission (a+b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0170%	$ 881,028	$	$ 881,028	$ 995,180	88.53%	78.20%
June 30, 2016	0.0181%	1,469,630	19,156	1,488,786	1,122,267	132.66%	68.91%
June 30, 2017	0.0177%	1,129,957	14,210	1,144,167	1,140,253	100.34%	75.90%
June 30, 2018	0.0163%	904,258	29,600	933,858	1,092,933	85.45%	79.53%
June 30, 2019	0.0166%	917,778	28,499	946,277	1,176,240	80.45%	80.23%

** For purposes of this schedule, covered payroll is defined as "pensionable wages."
This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

PRINCETON PUBLIC UTILITIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
For the Year Ended December 31, 2019

Notes to Schedule of Employer's Proportionate Share of Net Pension Liability and Related Ratios

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions
- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes:
Changes in Actuarial Assumptions
- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes:
Changes in Actuarial Assumptions
- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:
- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

OTHER INFORMATION

PRINCETON PUBLIC UTILITIES COMMISSION
ENERGY & REVENUE ACCOUNTING REPORT

		1/1/19 TO 12/31/19		**1/1/18 TO 12/31/18**		**1/1/17 TO 12/31/17**	
	Source of Energy, Disposition of Energy & Percentage Relations	KWH	%	KWH	%	KWH	%
1	Total Gross Energy (all sources)	56,177,550	100.0%	57,006,687	100.0%	56,058,379	100.0%
2	Purchased Energy (% of 1)	55,383,886	98.6%	56,379,792	98.9%	55,557,551	99.1%
3	Total Gross Energy Generated (1-2)	793,664	1.4%	626,895	1.1%	500,828	0.9%
4	Energy Consumed by Station (% of 3)	264,360	33.3%	296,898	47.4%	277,966	55.5%
5							
6	Total Net Energy Generated (% of 3)	529,304	66.7%	329,997	52.6%	222,862	44.5%
7							
8	Total Net Energy Outgoing Feeders	55,913,190	100.0%	56,709,789	100.0%	55,780,413	100.0%
9	Energy Sold at Switchboard (% of 8)						
10	Energy Lost in Gen. System	Not available		Not available		Not available	
11	Energy Delivered to Distb. Feeders	55,913,190	100.0%	56,709,789	100.0%	55,780,413	100.0%
12	Net Distributed Energy (% of 11)	52,627,856	94.1%	53,724,561	94.7%	52,768,414	94.6%
13	Energy Lost in Distb. System (% of 11)	3,285,334	5.9%	2,985,228	5.3%	3,011,999	5.4%

	Energy Consumed by Each Service & Number of Active Meters	KWH	METERS	KWH	METERS	KWH	METERS
14	Residential Service	15,513,894	2,276	16,083,026	2,266	14,762,978	2,258
15	Small General Service	4,561,044	335	4,605,519	336	4,398,535	332
16							
17	Large General Service	19,749,905	55	19,827,873	53	20,017,348	53
18	Large Power Service	11,269,528	17	11,709,105	17	12,034,757	17
19							
20							
21							
22	Municipal Street Lighting	435,173	1	428,967	1	532,136	1
23	Municipal Parks, Building, etc.	399,112	1	380,551	1	356,900	1
24	Sewage Disposal System	699,200	1	689,520	1	665,760	1
25							
26							
27	TOTAL KWH & NUMBER OF METERS	52,627,856	2,686	53,724,561	2,675	52,768,414	2,663

	Net Billings (Energy Only) and Average Unit Revenue Per KWH	BILLINGS	UNIT REVENUE IN CENTS	BILLINGS	UNIT REVENUE IN CENTS	BILLINGS	UNIT REVENUE IN CENTS
28	Residential Service	2,337,223	15.07	2,494,937	15.51	2,324,622	15.75
29	Small General Service	660,922	14.49	691,965	15.02	664,094	15.10
30							
31	Large General Service	2,154,210	10.91	2,249,471	11.34	2,272,375	11.35
32	Large Power Service	1,208,207	10.72	1,293,261	11.04	1,335,721	11.10
33							
34	Security Lights	20,146		21,064		20,245	
35	Street Light Fees	28,094		27,988		28,020	
36							
37							
38	Municipal Parks, Buildings, etc.	49,690	12.45	49,472	13.00	46,397	13.00
39	Sewage Disposal System	48,944	7.00	50,335	7.30	48,600	7.30
40							
41							
42	TOTAL REV. & REVENUE PER KWH	6,507,436	12.37	6,878,493	12.80	6,740,074	12.77

PRINCETON PUBLIC UTILITIES COMMISSION
UTILITY STATISTICS AND OPERATING INFORMATION

-SYMBOLS-
Diesel - D
Dual-Fuel - DF

Gen. No.	Unit Year	P M	KW Cap.	1/1/19 to 12/31/19 KWH	LUBE CONS.	1/1/18 to 12/31/18 KWH	LUBE CONS.	1/1/17 to 12/31/17 KWH	LUBE CONS.
1	1938	D	0	0	0	0	0	0	0
2	1938	D	0	0	0	0	0	0	0
3	1977	D	2,400	162,464	70	114,848	91	112,992	105
4	1967	DF	1,200	66,708	13	54,372	17	56,820	34
5	1953	DF	1,000	62,856	0	40,596	10	43,824	22
6	1963	DF	2,750	171,872	0	123,072	0	133,472	0
7	2002	D	4,840	329,764	23	294,007	55	153,720	0
TOTAL CAP. & KWH GENERATED			12,190	793,664	106	626,895	173	500,828	160
PURCHASED KILOWATT HOURS				55,383,886		56,379,792		55,557,551	

Operating Capacity Factor - OCF

Fuel Type, Units & Symbols
Oil - Gallons - O
Gas - MCF - G

UNIT NO.	TYPE FUEL	HOURS OPER.	% OCF	HOURS OPER.	% OCF	HOURS OPER.	% OCF
1	O	0.0	0.00	0.0	0.00	0.0	0.00
2	O	0.0	0.00	0.0	0.00	0.0	0.00
3	O	80.8	83.78	59.0	81.11	57.9	81.31
4	OG	69.6	79.87	55.7	81.35	59.2	79.98
5	OG	82.4	76.28	55.3	73.41	60.5	72.44
6	OG	81.5	76.69	59.9	74.71	64.9	74.78
7	O	75.1	90.72	64.7	93.89	34.9	91.00

	FUEL CONSUMED	FUEL CONSUMED	FUEL CONSUMED
Total Plant Fuel Consumption for energy Generation Only as delivered to station Quantity of each fuel based on purchases adjusted to inventory	54,830	44,160	35,180

TOTAL & UNIT COST FOR ENERGY GENERATION ONLY

	TOTAL FUEL COST	UNIT COST CENTS	TOTAL FUEL COST	UNIT COST CENTS	TOTAL FUEL COST	UNIT COST CENTS
Total cost is obtained by multiplying the above quantity of fuel by approximate average cost of fuel used as shown in unit cost column	114,786	209.3	98,035	222.0	63,324	180.0

TOTAL UNIT OPERATING COSTS
(omit interest, depreciation & taxes)

	TOTAL COST	CENTS PER KWH	TOTAL COST	CENTS PER KWH	TOTAL COST	CENTS PER KWH
TOTAL FUEL COST FOR ENERGY GEN.	114,786	14.46	98,035	15.64	63,324	12.64
PURCHASED POWER COST	4,202,690	7.59	4,488,810	7.96	4,438,515	7.99
GENERATION & PURCHASED COST TO FEEDERS	4,317,476	8.20	4,586,845	8.54	4,501,839	8.53
LIFE-OF-UNIT DIESEL/QUICK START REIMBURSEMENT	(531,039)	(1.01)	(509,970)	(0.95)	(492,277)	(0.93)
GEN. & PURCHASED COST TO CONSUMERS	3,786,437	7.19	4,076,875	7.59	4,009,562	7.60
DISTRIBUTION COSTS TO CONSUMERS	620,987	1.18	665,723	1.24	790,134	1.50
OFFICE ADMIN. & GENL. EXP. TO CONSUMERS	1,030,093	1.96	876,029	1.63	931,787	1.77
TOTAL DELIVERED COST TO CONSUMERS	5,873,591	11.16	6,027,208	11.22	6,095,285	11.55
MAXIMUM DEMAND ON PLANT (momentary)	11,205 KW		12,146 KW		12,088 KW	
Max. 15 Min. Demand & Loan Factor on Plant	07/2 4:00 PM		06/29 2:00 PM		07/6 5:00 PM	
Month, Day & Hour of Occurrence						

PRINCETON PUBLIC UTILITIES COMMISSION
ANALYSIS OF KILOWATT HOURS AND BILLINGS

Year Ended December 31, 2019

	KWH Billed	Amount Billed	Revenue Per KWH in cents	Percent KWH to Total	Percent Revenue To Total	No. Meters In Service
Residential	15,513,894	$ 2,337,223	15.07	29.5%	35.9%	2,276
Small general	4,561,044	660,922	14.49	8.7%	10.2%	335
Large general & power	31,019,433	3,362,417	10.84	58.9%	51.7%	72
Security lights		20,146			0.3%	
Total to consumers	51,094,371	6,380,708	12.49	97.1%	98.1%	2,683
Street lighting, municipal	1,533,485	126,728	8.26	2.9%	1.9%	3
	52,627,856	$ 6,507,436	12.37	100.0%	100.0%	2,686

ALLOCATION OF ENERGY GENERATED AND PURCHASED

Years Ended December 31, 2019 and 2018

	2019	2018
Kilowatt hours generated	793,664	626,895
Less station power consumption	(264,360)	(296,898)
Net generation	529,304	329,997
Add purchased power	55,383,886	56,379,792
KWH delivered to feeders	55,913,190	56,709,789
KWH sold - metered to consumers:		
To City consumers	51,094,371	52,225,523
Street lighting, municipal	1,533,485	1,499,038
Total sold to consumers	52,627,856	53,724,561
LINE LOSS: 2019 5.88% ; 2018 5.26%	3,285,334	2,985,228

PRINCETON PUBLIC UTILITIES COMMISSION
ELECTRIC UTILITY OPERATING AND FISCAL RECORD

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
YEAR	TOTAL NUMBER ACTIVE METERS SERVED	TOTAL GROSS ENERGY GEN. AND/OR PURCH. KWH	GEN. AND/OR PURCH. COST PER KWH	TOTAL GAIN-FULLY APPLIED ENERGY COL. 3 MINUS LOSSES	TOTAL EARNED REVENUE FROM APPLIED ENERGY CENTS OMITTED	AVE. REV. PER KWH COL. 6 / COL. 5	TOTAL OPERATING EXPENSE INTEREST AND DEPRECIATION CHGS. NOT INCL.	OPER. COST PER KWH COL. 8 / COL. 5	EARNINGS FROM SALE OF ENERGY ONLY COL. 6 MINUS COL. 8	TOTAL EARNINGS OF ELEC. UTILITY COL. 10 PLUS OTHER NET INCOME	VALUE OF DONATED SERVICES CONTRIB-UTIONS ETC.	NET INTEREST EXPENSE DURING YEAR	FUNDED OBLIG-ATIONS RETIRED DURING YEAR	FUNDED OBLIG-ATIONS NOT RETIRED AT END OF YEAR	CURRENT NET BOOK COST OF ELECTRIC UTILITY	CURRENT NET BOOK VALUE OF ELECTRIC UTILITY COL. 16 MINUS DEPR. RES.
2005		53,227,027	5.84	48,944,833	4,130,445	8.44	3,810,906	7.79	319,539	148,125	0	282,038	255,000	6,215,000	13,689,563	8,643,314
2006		53,683,976	6.72	50,151,542	5,103,850	10.18	4,424,144	8.82	679,706	623,294	0	388,113	350,000	8,930,000	15,963,169	10,524,047
2007		56,964,080	7.73	52,332,097	5,503,396	10.52	4,986,087	9.53	517,309	358,663	0	390,505	365,000	8,565,000	16,612,042	10,700,854
2008		54,476,917	7.21	51,496,846	5,840,455	11.34	4,928,916	9.57	911,539	715,423	0	382,507	410,000	8,155,000	17,165,111	10,684,595
2009		51,355,198	7.57	47,878,218	5,834,351	12.19	4,947,424	10.33	886,927	193,314	0	356,059	420,000	7,735,000	17,411,687	10,388,575
2010		53,180,700	7.91	49,885,111	6,316,139	12.66	5,269,354	10.56	1,046,785	450,385	0	365,567	390,000	7,345,000	17,746,280	10,134,428
2011		53,334,744	8.10	50,155,976	6,384,752	12.73	5,398,987	10.76	985,765	460,881	0	261,770	510,000	6,835,000	17,981,844	9,774,066
2012		54,591,660	8.30	50,419,202	6,412,493	12.72	5,537,583	10.98	874,910	731,016	0	211,429	505,000	6,330,000	18,550,522	9,743,969
2013		55,976,177	7.89	53,077,573	6,649,299	12.53	5,873,305	11.07	775,994	732,105	0	179,386	535,000	5,795,000	19,098,926	9,704,643
2014		55,078,298	8.12	51,699,917	6,537,500	12.65	5,948,933	11.51	588,567	578,658	0	167,329	545,000	5,250,000	19,599,230	9,681,139
2015		56,815,109	7.83	53,832,375	6,675,296	12.40	6,132,132	11.39	543,164	538,452	0	155,506	510,000	4,740,000	20,239,706	9,720,162
2016		58,262,483	8.22	54,795,629	6,997,245	12.77	6,576,106	12.00	421,139	424,237	0	143,549	520,000	4,220,000	20,545,679	9,445,573
2017		56,058,379	8.53	52,768,414	6,740,074	12.77	6,524,238	12.36	215,836	240,012	0	129,687	545,000	3,675,000	20,777,521	9,309,133
2018		57,006,687	8.54	53,724,561	6,878,493	12.80	6,439,143	11.99	439,350	347,841	0	115,926	535,000	3,140,000	20,982,802	8,813,963
2019		56,177,550	8.20	52,627,856	6,507,436	12.37	6,289,844	11.95	217,592	463,553	0	103,278	495,000	2,645,000	21,243,837	8,402,274

1	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
				MISCELLANEOUS DATA AND NOTATIONS											
											SOURCE OF ENERGY % OF COL. 3				
YEAR	AVE. NET APPLIED DEPREC-IATION RATE %	RATIO EARNINGS TO BOOK COST COL.11 / COL. 16 %		PLANT CAPACITY FACTOR %	PLANT CAPACITY IN KW	KW CAPACITY LARGEST GENERAT-ING UNIT	MAX. 15 MINUTE PLANT DEMAND IN KW	INCR. IN COL. 5 OVER PREV YEAR %	RATIO APPLIED ENERGY (COL. 5) TO COL. 3 %	FUEL COST PER KWH CENTS	INT. COMB. ENG. %	STEAM %	HYDRO %	PURCH-ASED %	TYPE OF FUEL O - OIL G - GAS C - COAL L - LIGNITE
2005	2.8	1.08			12,190	4,840	11,656	1.8	92.0	12.08	1.5			98.5	O
2006	2.9	3.90			12,190	4,840	12,711	2.5	93.4	15.27	1.5			98.5	O
2007	3.0	2.16			12,190	4,840	12,172	4.4	91.9	15.58	2.6			97.4	O
2008	3.5	4.17			12,190	4,840	10,583	(1.6)	94.5	17.14	1.1			98.9	O
2009	3.2	1.11			12,190	4,840	10,340	(7.0)	93.2	12.41	1.2			98.8	O
2010	3.3	2.54			12,190	4,840	11,199	4.2	93.8	15.23	0.7			99.3	O
2011	3.3	2.56			12,190	4,840	12,372	0.5	94.0	19.34	1.1			98.9	O
2012	3.3	3.94			12,190	4,840	10,867	0.5	92.4	22.11	1.6			98.4	O
2013	3.2	3.83			12,190	4,840	12,933	5.3	94.8	22.18	0.6			99.4	O
2014	3.2	2.95			12,190	4,840	12,104	(2.6)	93.9	21.55	0.5			99.5	O
2015	3.2	2.66			12,190	4,840	11,987	4.1	94.8	14.46	0.7			99.3	O
2016	3.2	2.06			12,190	4,840	12,022	1.8	94.1	11.16	1.1			98.9	O
2017	3.3	1.16			12,190	4,840	12,088	(3.7)	94.1	12.64	0.9			99.1	O
2018	3.3	1.66			12,190	4,840	12,146	1.8	94.2	15.64	1.1			98.9	O
2019	3.3	2.18			12,190	4,840	11,205	(2.0)	93.7	14.46	1.4			98.6	O

41	42	43	44	45	46	47	48	49	50
	THE DATA BELOW APPLIES ONLY TO SERVICE RENDERED WITHIN THE MUNICIPALITY AND TO ADJACENT NON-RESALE CONSUMERS. IF THE COLUMNS ABOVE INVOLVE NO RESALE SERVICE (REA ETC), SOME WILL BE DUPLICATES OF THOSE BELOW								
YEAR	TOTAL GAIN-FULLY APPLIED ENERGY KWH	TOTAL EARNED REVENUE FROM APPLIED ENERGY	AVE. REV. PER KWH CENTS	INCR. IN COL. 42 OVER PREV. YEAR %	AVE MO. KWH PER RES METER	AVE MO. KWH PER COMM METER	MAX. 15 MIN. DEMAND IN KW	MUNIC-IPAL LOAD FACTOR %	ENERGY LOSS IN DIST. SYSTEM %
2005	48,944,833	4,130,445	8.44	1.8	639	2,061	11,656		7.6
2006	50,151,542	5,103,850	10.18	2.5	625	2,092	12,711		6.1
2007	52,332,097	5,503,396	10.52	4.3	633	2,114	12,172		7.6
2008	51,496,846	5,840,455	11.34	(1.6)	609	1,773	10,583		5.0
2009	47,878,218	5,834,351	12.19	(7.0)	568	1,392	10,340		6.3
2010	49,885,111	6,316,139	12.66	4.2	594	1,302	11,199		5.7
2011	50,155,976	6,384,752	12.73	0.5	597	1,281	12,372		5.3
2012	50,419,202	6,412,493	12.72	0.5	585	1,273	10,867		7.1
2013	53,077,573	6,649,299	12.53	5.3	598	1,254	12,933		4.6
2014	51,699,917	6,537,500	12.65	(2.6)	581	1,113	12,104		5.6
2015	53,832,375	6,675,296	12.40	4.1	567	1,152	11,987		4.7
2016	54,795,629	6,997,245	12.77	1.8	565	1,164	12,022		5.4
2017	52,768,414	6,740,074	12.77	(3.7)	545	1,104	12,088		5.4
2018	53,724,561	6,878,493	12.80	1.8	591	1,142	12,146		5.3
2019	52,627,856	6,507,436	12.37	(2.0)	568	1,135	11,205		5.9

65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82
DIVISION OF LOAD, REVENUE, AND UNIT REVENUE																	
REVENUE PER KWH IN CENTS						PERCENTAGE OF TOTAL REVENUE						PERCENTAGE OF ENERGY CONSUMED					
RES	SMALL	LARGE	MUNIC-IPAL	RESALE	EWH	RES	SMALL	LARGE	MUNIC-IPAL	RESALE	EWH	RES	SMALL	LARGE	MUNIC-IPAL	RESALE	EWH
10.08	9.43	7.43	2.92			39.80	17.20	40.90	1.70		0.40	33.30	15.40	46.40	4.90		
12.39	11.59	8.86	3.53			39.10	17.30	41.40	1.80		0.40	32.10	15.20	47.60	5.10		
12.97	11.88	8.91	4.99			39.05	17.47	40.88	2.19		0.41	31.65	15.46	48.26	4.63		
14.10	13.01	9.63	6.11			38.33	15.35	43.35	2.55		0.41	30.38	13.38	51.06	4.72		
15.05	14.07	10.49	6.11			39.36	12.61	45.37	2.27		0.39	31.88	10.92	52.68	4.52		
15.27	14.73	11.02	6.87			38.44	11.37	47.12	2.27		0.80	31.87	9.78	54.17	4.18		
15.29	14.80	11.18	6.87			38.35	10.87	47.54	2.47		0.77	31.93	9.35	54.14	4.58		
15.33	14.80	11.19	6.85			37.79	10.79	48.18	2.47		0.77	31.50	9.27	54.78	4.59		
15.28	14.76	11.00	6.74			37.03	10.76	48.86	2.61		0.74	30.36	9.13	55.66	4.85		
15.34	16.03	11.01	7.05			36.97	10.42	49.19	2.68		0.74	30.48	8.22	56.50	4.80		
15.40	14.93	10.93	5.09			35.55	9.84	52.27	1.61		0.73	28.63	8.17	59.29	3.92		
15.65	15.37	11.31	5.91			34.01	10.22	53.54	1.53		0.70	27.76	8.49	60.46	3.30		
15.75	15.10	11.26	6.11			34.49	9.85	53.53	1.41		0.72	27.98	8.34	60.74	2.95		
15.51	15.02	11.23	6.66			36.27	10.06	51.50	1.45		0.71	29.94	8.57	58.70	2.79		
15.07	14.49	10.84	6.43			35.92	10.16	51.67	1.52		0.74	29.48	8.67	58.94	2.91		

ADDITIONAL REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners
Princeton Public Utilities Commission
Princeton, Minnesota 55371

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Princeton Public Utilities Commission, Princeton, Minnesota, component unit of the City of Princeton, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Princeton Public Utilities Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Princeton Public Utilities Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Princeton Public Utilities Commission's internal control.

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

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

Lack of Control Over the Financial Reporting Process

Commission personnel prepare periodic reports and other financial information for internal use that meet the needs of management and the Commission. However, the Commission does not have internal resources to prepare full-disclosure financial statements required by U.S. GAAP for external reporting. For entities of the Commission's size, it generally is not practical to obtain the internal expertise to handle all aspects of the external financial reporting. The Commission's management is aware of this significant deficiency and addresses it by obtaining our assistance in the preparation of the Commission's annual financial statements. Management reviews and approves the completed statements and distributes them to users (other than to the state auditor which we distribute on the Commission's behalf).

Compliance and Other Matters

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

Princeton Public Utilities Commission's Response to Findings

Princeton Public Utilities Commission's response to the findings identified in our audit is described previously. Princeton Public Utilities Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mayer, Peck & Nelson, Ltd.

Staples, Minnesota
June 17, 2020

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INDEPENDENT AUDITOR'S REPORT

REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Commissioners
Princeton Public Utilities Commission
Princeton, Minnesota 55371

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Princeton Public Utilities Commission, Princeton, Minnesota, component unit of the City of Princeton, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated, June 17, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Princeton Public Utilities Commission failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, insofar as they relate to accounting matters, except that the Commission did not annually provide one of its brokers a written statement of investment restrictions, nor did the Commission receive an acknowledgement from the broker of their receipt of such restrictions and agree to handle the Commission's account in accordance with those restrictions. Our audit considered all of the listed categories. Additionally, we tested for compliance with the authority to issue public debt. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer, Porter & Nelson, Ltd.

Staples, Minnesota
June 17, 2020