

**PRINCETON PUBLIC UTILITIES COMMISSION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**





**PRINCETON PUBLIC UTILITIES COMMISSION**

**FINANCIAL STATEMENTS  
For the Year Ended December 31, 2022**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
List of Elected and Appointed Officials	i
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-3
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis (MD&A)	4-8
<b>BASIC FINANCIAL STATEMENTS</b>	
Balance Sheets	9-10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to the Financial Statements	14-31
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Commission Pension Contributions	32
Schedule of Commission and Non-Employer Proportionate Share of Net Pension Liability	33
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Operating Revenues	34
Schedules of Operating Expenses	35
<b>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 GOVERNMENTAL AUDITING STANDARDS</b>	36-37

**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2022**

**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2022**

**Public Utilities Commission**

Richard Schwartz  
Daniel Erickson  
Jack Edmonds

Chair  
Vice-Chair  
Commissioner

Keith R. Butcher

General Manager

**(This Page is Left Blank Intentionally)**



## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
**Princeton Public Utilities Commission**

### Opinion

We have audited the financial statements of the business-type activities and each major fund of Princeton Public Utilities Commission, a component unit of the City of Princeton, Minnesota, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Princeton Public Utilities Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Princeton Public Utilities Commission, a component unit of the City of Princeton, Minnesota, as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Princeton Public Utilities Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1, the financial statements of Princeton Public Utilities Commission, a component unit of the City of Princeton, Minnesota, are intended to present the financial position, changes in net position and cash flows that are attributable to transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the City of Princeton, Minnesota, as of December 31, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Responsibilities of Management for the Financial Statements

Princeton Public Utilities Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Princeton Public Utilities Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Princeton Public Utilities Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Princeton Public Utilities Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Princeton Public Utilities Commission's basic financial statements. The introductory section and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023 on our consideration of 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 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.

*Smith, Schepke and Associates, Ltd.*

Minneapolis, Minnesota  
June 22, 2023

**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2022**

## **PRINCETON PUBLIC UTILITIES COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Princeton Public Utilities Commission we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended December 31, 2022.

### **FINANCIAL STATEMENTS**

The financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting the economic resources measurement focus and the accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include balance sheets, statements of revenues, expenses and changes in net position, and statements of cash flows. These statements are followed by the notes to the financial statements.

Following is a summary of the information included in the various financial statements:

- The balance sheet presents information on the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The statement of revenues, expenses, and changes in net position reports the operating and non-operating revenues and expenses of the Commission for the fiscal year. The net income or loss for the year combined with the previous year-end net position reconciles to the net position at the end of the year.
- The statement of cash flows reports cash and cash equivalents activity for the year resulting from operating activities, non-capital financial activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the year.
- The notes to the financial statements include all required disclosures under applicable accounting standards.

**PRINCETON PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONDENSED FINANCIAL INFORMATION**

Condensed financial information from the Electric Fund's balance sheets and statements of revenues, expenses and changes in net position is presented below.

<u>Electric Fund</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets	\$ 6,926,036	\$ 6,101,016
Capital assets, net	7,094,570	7,579,288
Noncurrent assets (restricted)	351,787	998,505
Total Assets	<u>14,372,393</u>	<u>14,678,809</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows from pension activity	<u>260,813</u>	<u>360,534</u>
<b>Total Assets and Deferred Outflows of Resources</b>		
	<u>\$ 14,633,206</u>	<u>\$ 15,039,343</u>
<b>Liabilities</b>		
Current liabilities	\$ 1,236,845	\$ 1,480,670
Net pension liability	826,778	564,875
Noncurrent liabilities	465,000	1,055,000
Total Liabilities	<u>2,528,623</u>	<u>3,100,545</u>
<b>Deferred Inflows of Resources</b>		
Deferred credits rate stabilization	1,334,123	1,334,123
Deferred inflows from pension activity	145,119	489,964
Deferred solar subscriptions	6,883	8,464
Total deferred inflows of resources	<u>1,486,125</u>	<u>1,832,551</u>
<b>Net Position</b>		
Net investment in capital assets	6,414,570	5,969,288
Restricted for debt service	351,787	998,505
Unrestricted	3,852,101	3,138,454
Total Net Position	<u>10,618,458</u>	<u>10,106,247</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>		
	<u>\$ 14,633,206</u>	<u>\$ 15,039,343</u>
Operating revenues	\$ 7,703,573	\$ 7,657,163
Operating expenses, excluding depreciation	6,515,863	6,241,806
Depreciation expense	691,655	685,235
Operating income	496,055	730,122
Nonoperating revenue (expenses) including transfers	16,156	(12,909)
Change in net position	512,211	717,213
<b>Net Position, Beginning</b>	<u>10,106,247</u>	<u>9,389,034</u>
<b>Net Position, Ending</b>	<u>\$ 10,618,458</u>	<u>\$ 10,106,247</u>

**PRINCETON PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL HIGHLIGHTS - ELECTRIC FUND**

- The electric fund's net position totaled \$10,618,458 at December 31, 2022. Net position increased by \$512,211 in fiscal year 2022.
- The electric fund's total operating revenues were \$7,703,573. The total cost of operating the electrical system, including purchased power and depreciation was \$7,207,518.
- For the year, the electric fund reported an operating income of \$496,055, a decrease of \$234,067 from the previous year.
- Operating expenses increased by 4%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION - ELECTRIC FUND**

**Capital Assets**

At the end of fiscal year 2022, the electric fund had \$7,094,570 invested in various capital assets, including land, buildings and improvements, generation and distribution systems, transportation equipment, and other equipment, net of accumulated depreciation.

Capital asset additions totaled \$206,943 including distribution system improvements and new AMI Metering.

**Debt**

At December 31, 2022, Electric Revenue Note, 2006A totaling \$680,000 was outstanding. This note is repayable at an interest rate of 4.05% through 2025 and was used to finance improvements to the electrical distribution system.

The Electric Revenue Refunding Bonds, 2010A were paid off during 2022. These bonds were repayable at an interest rate of 3.5% and were used to refund previously issued bonds.

The Electric Revenue Refunding Bonds, 2012A were paid off during 2022. These bonds were repayable at interest rates ranging from 2.5% to 2.85% and were used to refund previously issued bonds.

**Deferred Inflows/Deferred Outflows – Electric Fund**

Deferred outflows of resources reported by the electric fund are pension plan deferments for PERA, which decreased \$99,721 during 2022. The electric fund'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.

Deferred inflows of resources reported by the electric fund decreased by \$346,426 during 2022. Deferred credits (revenue), which represent rate stabilization, did not change as the Commission is no longer adding to the rate stabilization provision. 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. Another type of deferred inflow of resources reported by the electric fund are pension plan deferments for PERA, which decreased by \$344,845. The last type of deferred inflow of resources reported by the electric fund are deferred solar subscriptions, which decreased by \$1,581.



**PRINCETON PUBLIC UTILITIES COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONDENSED FINANCIAL INFORMATION**

Condensed financial information from the Water Fund's balance sheets and statements of revenues, expenses and changes in fund net position is presented below.

<u>Water Fund</u>	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets	\$ 2,349,173	\$ 2,191,891
Capital assets, net	5,692,820	5,920,193
Noncurrent assets (leases)	98,485	137,845
Noncurrent assets (restricted)	<u>50,711</u>	<u>198,082</u>
Total Assets	<u>8,191,189</u>	<u>8,448,011</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows from pension activity	<u>86,085</u>	119,148
<b>Total Assets and Deferred Outflows of Resources</b>		
	<u>\$ 8,277,274</u>	<u>\$ 8,567,159</u>
<b>Liabilities</b>		
Current liabilities	\$ 443,147	\$ 480,254
Net pension liability	226,585	139,749
Noncurrent liabilities	<u>810,000</u>	<u>1,297,000</u>
Total Liabilities	<u>1,479,732</u>	<u>1,917,003</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from pension activity	51,145	165,481
Deferred inflows from leasing activity	<u>135,274</u>	<u>173,550</u>
Total Deferred Inflows of Resources	<u>186,419</u>	<u>339,031</u>
<b>Net Position</b>		
Net investment in capital assets	4,594,305	4,321,038
Restricted for debt service	50,711	198,082
Unrestricted	<u>1,966,107</u>	<u>1,792,005</u>
Total Net Position	<u>6,611,123</u>	<u>6,311,125</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>		
	<u>\$ 8,277,274</u>	<u>\$ 8,567,159</u>
Operating revenues	\$ 1,315,783	\$ 1,432,626
Operating expenses, excluding depreciation	619,378	528,907
Depreciation expense	<u>398,709</u>	<u>388,181</u>
Operating income (loss)	297,696	515,538
Nonoperating revenue (expenses) including transfers	<u>2,302</u>	<u>(64,664)</u>
Change in net position	299,998	450,874
<b>Net Position, Beginning</b>	<u>6,311,125</u>	<u>5,860,251</u>
<b>Net Position, Ending</b>	<u>\$ 6,611,123</u>	<u>\$ 6,311,125</u>

## **PRINCETON PUBLIC UTILITIES COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHTS - WATER FUND**

- The water fund's net position totaled \$6,611,123 at December 31, 2022. Total net position increased by \$299,998 in fiscal year 2022.
- The water fund's total operating revenues were \$1,315,783. The total cost of operating the water system was \$1,018,087.
- For the year, the water fund reported an operating income of \$297,696, a decrease of \$217,842 from the previous year.
- Operating expenses increased 11%.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION - WATER FUND**

#### **Capital Assets**

At the end of fiscal year 2022, the water fund had \$5,692,820 invested in various capital assets, including land, buildings and improvements, wells, towers, generation and distributions systems, transportation equipment and other equipment, net of accumulated depreciation.

Total capital asset additions were \$171,336, related to new AMI meters.

#### **Debt**

At December 31, 2022, Water General Obligation Revenue, 2004 totaling \$57,000 were outstanding. These bonds are repayable at an interest rate of 2.53% through 2023 and were used to finance improvements to the municipal water system.

At December 31, 2022, Water General Obligation Revenue Bonds, 2008A totaling \$1,140,000 were outstanding. These bonds are repayable at interest rates ranging from 3.85% to 4.05% through 2027 and were used to refund previously issued bonds.

The Water Revenue Refunding Bonds, 2010A were paid off during 2022. These bonds were repayable at an interest rate of 3.5% and were used to refund previously issued bonds.

The Water Revenue Refunding Bonds, 2012A were paid off during 2022. These bonds were repayable at interest rates ranging from 2.5% to 2.85% and were used to refund previously issued bonds.

#### **Deferred Inflows/Deferred Outflows – Water Fund**

Deferred outflows of resources reported by the water fund are pension plan deferments for PERA, which decreased \$33,063 during 2022. The water fund'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.

Deferred inflows of resources from pension activity reported by the water fund decreased by \$114,336 during 2022. Deferred inflow of resources from pension activity reported by the water fund are pension plan deferments for PERA. Deferred inflows of resources from lease activity reported by the water fund decreased by \$38,276 during 2022 due to the adoption and implementation of GASB 87 *Leases* and lease payments during the year. Deferred inflows of resources from lease activity reported by the water fund are equal to present value of water tower lease revenues.

**PRINCETON PUBLIC UTILITIES COMMISSION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**BALANCE SHEETS**

December 31, 2022 and 2021

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>Electric Fund</u>		<u>Water Fund</u>	
	<b>2022</b>	2021	<b>2022</b>	2021
<b>Current Assets</b>				
Cash and cash equivalents	\$ 4,449,594	\$ 3,243,950	\$ 842,230	\$ 667,596
Cash and cash equivalents - capital improvements	1,038,409	988,712	1,253,158	1,191,212
Investments	275,746	653,389	68,937	163,347
Customer accounts receivable	625,936	664,019	79,837	86,477
Other accounts receivable	43,371	58,137	11,561	2,856
Inventories	447,616	429,160	54,089	43,412
Lease receivable			39,361	36,991
Prepaid insurance	45,364	63,649		
Total Current Assets	<u>6,926,036</u>	<u>6,101,016</u>	<u>2,349,173</u>	<u>2,191,891</u>
<b>Noncurrent Assets</b>				
Lease receivable, noncurrent			98,485	137,845
Capital Assets				
Non-depreciable	25,000	25,000	8,162	8,162
Depreciable	21,631,082	21,713,235	12,520,272	12,348,936
Less: Accumulated depreciation	14,561,512	14,158,947	6,835,614	6,436,905
Total Noncurrent Assets	<u>7,094,570</u>	<u>7,579,288</u>	<u>5,791,305</u>	<u>6,058,038</u>
<b>Restricted Assets</b>				
Cash and cash equivalents:				
Reserve fund	83,664	465,832		97,500
Debt retirement	17,500	284,359	50,711	100,582
Restricted cash held in escrow	250,623	248,314		
Total Restricted Assets	<u>351,787</u>	<u>998,505</u>	<u>50,711</u>	<u>198,082</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity	<u>260,813</u>	<u>360,534</u>	<u>86,085</u>	<u>119,148</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 14,633,206</u>	<u>\$ 15,039,343</u>	<u>\$ 8,277,274</u>	<u>\$ 8,567,159</u>

**See Notes to the Financial Statements**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Electric Fund		Water Fund	
	2022	2021	2022	2021
<b>Current Liabilities</b>				
Due to City	\$ 139,631	\$ 128,216	\$	\$
Accounts payable	503,777	434,224	21,387	7,811
Accrued payroll	41,997	12,076	8,511	3,573
Accrued compensated absences	82,898	78,758		
Customer meter deposits	253,542	267,204		
Unearned revenue			22,038	22,038
Total Current Liabilities	1,021,845	920,478	51,936	33,422
<b>Current Liabilities Payable from Restricted Assets:</b>				
Accrued interest		5,192	4,211	6,832
Current maturities of bonds, loans and capital lease	215,000	555,000	387,000	440,000
Total Current Liabilities Payable from Restricted Assets	215,000	560,192	391,211	446,832
<b>Other Liabilities</b>				
Net pension liability	826,778	564,875	226,585	139,749
Bonds, notes, and loan payable	465,000	1,055,000	810,000	1,297,000
Total Other Liabilities	1,291,778	1,619,875	1,036,585	1,436,749
<b>Deferred Inflows of Resources</b>				
Deferred credits rate stabilization	1,334,123	1,334,123		
Deferred inflows from pension activity	145,119	489,964	51,145	165,481
Deferred inflows from leasing activity			135,274	173,550
Deferred solar subscriptions	6,883	8,464		
Total Deferred Inflows of Resources	1,486,125	1,832,551	186,419	339,031
Total Liabilities and Deferred Inflows of Resources	4,014,748	4,933,096	1,666,151	2,256,034
<b>Net Position</b>				
Net investment in capital assets	6,414,570	5,969,288	4,594,305	4,321,038
Restricted for debt service	351,787	998,505	50,711	198,082
Unrestricted	3,852,101	3,138,454	1,966,107	1,792,005
Total Net Position	10,618,458	10,106,247	6,611,123	6,311,125
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 14,633,206</b>	<b>\$ 15,039,343</b>	<b>\$ 8,277,274</b>	<b>\$ 8,567,159</b>

**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Years Ended December 31, 2022 and 2021

	Electric Fund		Water Fund	
	2022	2021	2022	2021
<b>Operating Revenues</b>	<b>\$ 7,703,573</b>	<b>\$ 7,657,163</b>	<b>\$ 1,315,783</b>	<b>\$ 1,432,626</b>
<b>Operating Expenses</b>				
Production, plant and purchased power	5,046,657	4,879,308	136,475	156,357
Distribution system	501,176	528,767	192,107	132,803
Customer service	153,474	142,468	71,713	63,356
General and administrative	814,556	691,263	219,083	176,391
Depreciation	691,655	685,235	398,709	388,181
Total Operating Expenses	7,207,518	6,927,041	1,018,087	917,088
Operating Income	496,055	730,122	297,696	515,538
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	34,973	30,569	10,459	9,442
Change in fair value of investments	(4,782)	122	(1,195)	31
Lease revenue			41,462	1,286
Other income	26,676	20,977	11,498	762
Interest expense	(40,711)	(64,577)	(59,922)	(76,185)
Total Nonoperating Revenues (Expenses)	16,156	(12,909)	2,302	(64,664)
<b>Change in Net Position</b>	<b>512,211</b>	<b>717,213</b>	<b>299,998</b>	<b>450,874</b>
<b>NET POSITION, BEGINNING</b>	<b>10,106,247</b>	<b>9,389,034</b>	<b>6,311,125</b>	<b>5,860,251</b>
<b>NET POSITION, ENDING</b>	<b>\$ 10,618,458</b>	<b>\$ 10,106,247</b>	<b>\$ 6,611,123</b>	<b>\$ 6,311,125</b>

**See Notes to the Financial Statements**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2022 and 2021

	Electric Fund		Water Fund	
	2022	2021	2022	2021
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 7,741,179	\$ 7,869,601	\$ 1,313,718	\$ 1,438,623
Cash paid to suppliers	(5,229,341)	(5,084,146)	(204,543)	(152,038)
Cash paid to employees	(1,154,885)	(1,200,529)	(361,259)	(416,298)
Net Cash Provided By Operating Activities	<u>1,356,953</u>	<u>1,584,926</u>	<u>747,916</u>	<u>870,287</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Other income	<u>26,676</u>	<u>20,977</u>	<u>11,498</u>	<u>762</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition of capital assets	(206,943)	(259,435)	(171,336)	(218,429)
Interest paid	(45,903)	(66,923)	(62,543)	(78,023)
Principal paid on bonds	(930,000)	(530,000)	(540,000)	(429,000)
Net Cash (Used In) Capital and Related Financing Activities	<u>(1,182,846)</u>	<u>(856,358)</u>	<u>(773,879)</u>	<u>(725,452)</u>
<b>Cash Flows From Investing Activities</b>				
Net sales (purchases) of investments	372,861	(9,091)	93,215	(2,272)
Investment income received	34,979	30,569	10,459	9,442
(Increase) of restricted cash held in escrow	(2,309)	(15)		
Net Cash Provided By Investing Activities	<u>405,531</u>	<u>21,463</u>	<u>103,674</u>	<u>7,170</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>606,314</u>	<u>771,008</u>	<u>89,209</u>	<u>152,767</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,982,853</u>	<u>4,211,845</u>	<u>2,056,890</u>	<u>1,904,123</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,589,167</u>	<u>\$ 4,982,853</u>	<u>\$ 2,146,099</u>	<u>\$ 2,056,890</u>
Cash and cash equivalents	\$ 4,449,594	\$ 3,243,950	\$ 842,230	\$ 667,596
Cash and cash equivalents - capital improvements	1,038,409	988,712	1,253,158	1,191,212
Cash and cash equivalents - reserve fund	83,664	465,832		97,500
Cash and cash equivalents - debt retirement	17,500	284,359	50,711	100,582
Total Cash and Cash Equivalents on Balance Sheets	<u>\$ 5,589,167</u>	<u>\$ 4,982,853</u>	<u>\$ 2,146,099</u>	<u>\$ 2,056,890</u>

**See Notes to the Financial Statements**



	Electric Fund		Water Fund	
	2022	2021	2022	2021
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>				
<b>Operating Income</b>	<b>\$ 496,055</b>	<b>\$ 730,122</b>	<b>\$ 297,696</b>	<b>\$ 515,538</b>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	<b>691,655</b>	685,235	<b>398,709</b>	388,181
Pension related activity	<b>(245,124)</b>	144,855	<b>(81,273)</b>	53,359
Change in lease receivable and deferred inflows			<b>(1,286)</b>	
Lease revenue - included in nonoperating revenues			<b>41,462</b>	
(Increase) Decrease In:				
Customer accounts receivable	<b>38,083</b>	66,961	<b>6,640</b>	5,349
Other accounts receivable	<b>14,766</b>	6,281	<b>(8,705)</b>	648
Inventories	<b>(18,456)</b>	(24,246)	<b>(10,677)</b>	3,131
Prepaid insurance	<b>18,285</b>	18,436		
Increase (Decrease) In:				
Due to City	<b>11,415</b>	(979)		
Accounts payable	<b>69,553</b>	40,686	<b>13,576</b>	6,407
Accrued payroll	<b>29,921</b>	770	<b>4,938</b>	(108)
Customer meter deposits	<b>(13,662)</b>	18,666		
Unearned revenue				1,309
Accrued compensated absences	<b>4,140</b>	(5,621)		(23,678)
Net pension liability	<b>261,903</b>	(216,770)	<b>86,836</b>	(79,849)
Deferred rate stabilization		122,225		
Deferred solar subscriptions	<b>(1,581)</b>	(1,695)		
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 1,356,953</b>	<b>\$ 1,584,926</b>	<b>\$ 747,916</b>	<b>\$ 870,287</b>

**(This Page is Left Blank Intentionally)**

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

---

### 1. Summary of Significant Accounting Policies

---

#### Organization and Accounting Method

The Princeton Public Utilities Commission (the Commission) is a municipal utility engaged in the generation, transmission and distribution of electric power and the supply, purification, and distribution of water.

The accounting policies of Princeton Public Utilities Commission conform to generally accepted accounting principles applicable to governmental units.

This report includes only the Electric and Water Funds which are under the jurisdiction of the Princeton Public Utilities Commission, organized under the City of Princeton, Minnesota.

The financial statements of the Princeton Public Utilities Commission, organized under the City of Princeton, Minnesota are intended to present the financial position, results of operations and cash flows, of only that portion of the City that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the City of Princeton, Minnesota, and its results of operations and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

The 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.

#### Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) required under Statement of Governmental Accounting Standards (GASB) No. 34 and the fund basis financial statements for the Electric and Water Funds of the Commission are identical and therefore the accompanying financial statements include just one set of financial statements and no reconciliation is required.

#### Measurement Focus and Basis of Accounting

The Commission is comprised of proprietary funds, the Electric Enterprise and Water Enterprise Funds of the City of Princeton, Minnesota. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

#### Implementation of New Accounting Principle

During the year, the Commission implemented GASB Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 1. Summary of Significant Accounting Policies (Continued)

---

#### Implementation of New Accounting Principles (Continued)

The implementation of this standard resulted in changing the presentation of the financial statements by including the lease receivable and deferred inflows from leases as of January 1, 2021. As of December 31, 2021, the adoption resulted in additional lease revenue of \$1,286 and was recorded as an adjustment to net position.

#### Cash and Cash Equivalents

For the purpose of reporting cash flows, the Commission considers all demand accounts, savings accounts, money market funds and certificates of deposit 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.

#### Accounts Receivable

Accounts receivable are recorded at the original invoice amount. Management determines bad debts by regularly evaluating individual customer accounts receivable and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. 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.

#### Inventory

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.

#### Interfund Transactions

Interfund transactions, including sales and transfers between funds (if any), are not eliminated for financial statement purposes.

#### Capital Assets

Capital assets include property, plant and equipment, and are recorded at cost. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,500 and an estimated useful life greater than one year.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as incurred.

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 1. Summary of Significant Accounting Policies (Continued)

---

#### Capital Assets (continued)

Property, plant, and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Buildings and building improvements	5 - 40
Generation and distribution system	30 - 33
Wells and related equipment	5 - 20
Transportation equipment	6 - 8
Software and other equipment	3 - 15
Water tower and tank	10 - 33

#### Leases

For leases with a term exceeding 12 months, the Commission recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets, if any, are reported with capital assets and lease liabilities, if any, are reported with long-term debt on the statement of net position.

The Commission leases cell tower space to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the risk free rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The Commission does not have any leases subject to a residual value guarantee.

#### 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 five employees eligible at December 31, 2022 totaled \$82,898. The liability for compensated absences for the seven employees eligible at December 31, 2021 totaled \$78,758.

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.

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 1. Summary of Significant Accounting Policies (Continued)

---

#### Revenue Recognition

Revenue is recognized when electricity or water is used by the customer. Usage is billed on a monthly basis.

#### Taxes

In accordance with certain provisions of the United States Internal Revenue Code and related federal and state governing laws and regulations, the Commission is exempt from federal and state income taxes, and local property taxes.

#### Net Position

In the financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction or improvement of the assets.

Restricted for Debt Service– This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

#### Deferred Outflows of Resources

In addition to assets, the financial statements 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 (expenses) 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.

#### Deferred Inflows of Resources

In addition to liabilities, the 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 four items that qualify for reporting in this category. The Commission presents deferred inflows of resources for deferred inflows of resources related to pensions which result 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 Commission presents deferred inflows of resources related to water tower lease revenues. 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.

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 1. Summary of Significant Accounting Policies (Continued)

---

#### 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. 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.

#### Concentration of Credit Risk

Financial instruments which expose the Commission to a concentration of credit risk consist primarily of cash, investments, and accounts receivable. Accounts receivable are concentrated geographically as amounts are due from individuals residing in and businesses located in the City of Princeton.

#### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

#### Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through June 22, 2023, the date the financial statements were available to be issued.

---

### 2. Cash and Investments

---

The Commission follows State statutes requiring that all deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal or exceed 110% of the deposits not covered by insurance.

Authorized collateral includes U.S. government treasury bills, notes or bonds; issues of U.S. government agencies; certain rated general and revenue obligations of state and local governments; certain types of stand-by letters of credit and insured certificates of deposit. State statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than the institution furnishing the collateral.

Custodial credit risk is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 2. Cash and Investments (Continued)

---

#### Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- General obligations rated "A" or better.
- Revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- 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.
- 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.
- Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks.
- 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.
- 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.
- 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.
- 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.
- 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.



# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Cash and Investments (Continued)

#### Investments (continued)

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, 2022, and information relating to potential investment risks:

<u>Cash/Investments</u>	<u>Maturity Date</u>	<u>Over 5% of Portfolio</u>	<u>Rating</u>	<u>Carrying Value</u>		
				<u>Electric</u>	<u>Water</u>	<u>Total</u>
Cash on hand	N/A	N/A	N/A	\$ 2,135	\$	\$ 2,135
Deposits	N/A	N/A	N/A	5,837,655	2,146,099	7,983,754
Money Market	N/A	2%	N/A	4,691	1,173	5,864
US Treasuries	4/30/23	98%	Aaa	271,055	67,764	338,819
Total cash and investments				<u>\$6,115,536</u>	<u>\$2,215,036</u>	<u>\$8,330,572</u>

N/A - Not applicable

**PRINCETON PUBLIC UTILITIES COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Cash and Investments (Continued)**

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 for 2022 was as follows:

Beginning Balance	\$ 2,179,924
Additions	111,643
Ending Balance	<u>\$ 2,291,567</u>

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Commission has the ability to access.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Commission's investments within the fair value hierarchy at December 31, 2022 and 2021 were as follows:

	Assets Measured at	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
US Treasuries	\$ 338,819		\$ 338,819	\$
	Assets Measured at	Level 1	Level 2	Level 3
Municipal bonds	\$ 225,812		\$ 225,812	\$

**PRINCETON PUBLIC UTILITIES COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Capital Assets**

Capital asset activity for the year ended December 31, 2022 was as follows:

<b>Electric Fund</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 25,000	\$	\$	\$ 25,000
Total capital assets, not being depreciated	25,000			25,000
Capital assets, being depreciated:				
Buildings and improvements	2,142,058			2,142,058
Generation and distribution system	18,221,581	194,830	277,198	18,139,213
Transportation equipment	710,071		11,898	698,173
Other equipment	639,525	12,113		651,638
Total capital assets, being depreciated	21,713,235	206,943	289,096	21,631,082
Less: accumulated depreciation	14,158,947	691,655	289,090	14,561,512
Total capital assets, being depreciated, net	7,554,288	(484,712)	6	7,069,570
Capital assets, net	\$ 7,579,288	\$ (484,712)	\$ 6	\$ 7,094,570
<b>Water Fund</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,162	\$	\$	\$ 8,162
Total capital assets, not being depreciated	8,162			8,162
Capital assets, being depreciated:				
Buildings and improvements	29,765			29,765
Generation and distribution system	9,605,913	171,336		9,777,249
Wells	558,324			558,324
Transportation equipment	74,124			74,124
Other equipment	224,790			224,790
Water tower and tank	1,856,020			1,856,020
Total capital assets, being depreciated	12,348,936	171,336		12,520,272
Less: accumulated depreciation	6,436,905	398,709		6,835,614
Total capital assets, being depreciated, net	5,912,031	(227,373)		5,684,658
Capital assets, net	\$ 5,920,193	\$ (227,373)	\$	\$ 5,692,820

**PRINCETON PUBLIC UTILITIES COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**4. Long-Term Debt**

---

Following is a summary of debt outstanding at December 31, 2022:

<u>Revenue Bonds</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance December 31, 2022</u>
Water General Obligation Bonds, 2008A - interest due semiannually in June and December and principal due annually in December	3.85-4.05%	2027	\$ 1,140,000
Electric Revenue Note, 2006A - interest due monthly and principal due semiannually in June and December	4.05%	2025	680,000
Water General Obligation Bonds, 2004 - interest due semiannually in February and August and principal due annually in August	2.53%	2023	<u>57,000</u>
Total Debt Outstanding			<u>\$ 1,877,000</u>

**PRINCETON PUBLIC UTILITIES COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Long-Term Debt (Continued)**

Following is a summary of debt outstanding at December 31, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b>Electric</b>					
Electric Revenue Note, 2006A	\$ 885,000	\$	\$ 205,000	\$ 680,000	\$ 215,000
Electric Revenue Refunding Bonds, 2010A	170,000		170,000		
Electric Revenue Refunding Bonds, 2012A	555,000		555,000		
Compensated Absences	78,758	4,140		82,898	82,898
<b>Electric Total</b>	<b>1,688,758</b>	<b>4,140</b>	<b>930,000</b>	<b>762,898</b>	<b>297,898</b>
<b>Water</b>					
General Obligation Water Revenue, 2004	112,000		55,000	57,000	57,000
General Obligation Water Revenue, 2008A	1,460,000		320,000	1,140,000	330,000
Water Revenue Refunding Bonds, 2010A	20,000		20,000		
Water Revenue Refunding Bonds, 2012A	145,000		145,000		
Compensated Absences					
<b>Water Total</b>	<b>1,737,000</b>		<b>540,000</b>	<b>1,197,000</b>	<b>387,000</b>
<b>Combined Total</b>	<b>\$3,425,758</b>	<b>\$ 4,140</b>	<b>\$ 1,470,000</b>	<b>\$ 1,959,898</b>	<b>\$ 684,898</b>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2022 were as follows:

Years	Electric Revenue Bonds		
	Principal	Interest and Fees	Total
2023	\$ 215,000	\$ 28,868	\$ 243,868
2024	225,000	20,632	245,632
2025	240,000	9,284	249,284
<b>Totals</b>	<b>\$ 680,000</b>	<b>\$ 58,784</b>	<b>\$ 738,784</b>

  

Years	Water Revenue Bonds		
	Principal	Interest and Fees	Total
2023	\$ 387,000	\$ 46,207	\$ 433,207
2024	345,000	32,060	377,060
2025	150,000	18,605	168,605
2026	155,000	12,680	167,680
2027	160,000	6,480	166,480
<b>Totals</b>	<b>\$ 1,197,000</b>	<b>\$ 116,032</b>	<b>\$ 1,313,032</b>

**PRINCETON PUBLIC UTILITIES COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## PRINCETON PUBLIC UTILITIES COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 4. Long-Term Debt (Continued)

---

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 \$334,287 be established in the electric fund of which \$250,623 is being held in escrow.

##### Debt retirement

The 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, 2022 and 2021 was \$50,711 and \$100,582, respectively.

The 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, 2022 and 2021 was \$17,500 and \$284,359, respectively.

##### Restricted cash held in escrow

Restricted cash held in escrow as of December 31, 2022 and 2021 consisted of \$250,623 and \$248,314, respectively, of cash proceeds from the Electric Revenue note, series 2006A.

---

#### 5. Commitments

---

##### SMMPA Capacity and Purchase Agreement

The Commission purchases power from Southern Minnesota Municipal Power Agency (SMMPA) under a power sales contract, which runs through April 2050 and thereafter unless terminated by either party upon one years' notice. Under the terms of the contract, the Commission is obligated to purchase from SMMPA 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. 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.

---

## PRINCETON PUBLIC UTILITIES COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 5. Commitments (Continued)

---

##### *SMMPA Quick-Start Capacity and Energy Purchase Agreement*

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.

---

#### 6. Leases

---

The Commission has entered into several lease agreements with cell phone providers. Under the agreements, the cell phone providers pay the Commission annual payments of \$38,988 (adjusted 10-15% annually) in exchange for providing cell services to the City residents with antennas on top of the water towers. The receivable for these leases has been recorded in the water fund and is measured as the present value of the future rent payments expected to be received during the lease terms. The discount rate used in calculation of the receivable is 1.47%, which is the risk free rate.

---

#### 7. Due to City

---

Due to City represents amounts owing to the City of Princeton and consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Sewer collections	\$ 118,877	\$ 108,308
Franchise fee	20,754	19,908
Total	<u>\$ 139,631</u>	<u>\$ 128,216</u>

---

#### 8. 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 years ended December 31, 2022 and 2021, 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.

---



## PRINCETON PUBLIC UTILITIES COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 9. Rate Stabilization Provision

---

The Princeton Public Utilities Commission designed its electric service rates to recover costs of providing power supply services. In order to minimize possible future rate increases, each year the Commission determined a rate stabilization amount to be charged or credited to revenues. The Princeton Public Utilities Commission ended the policy of adding to the rate stabilization provision during 2022. For the year ended December 31, 2021, \$122,225 was charged as an expense and added to the rate stabilization account.

---

#### 10. Defined Benefit Pension Plans

---

##### Plan Description

The Princeton Public Utilities 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.

##### General Employees Retirement Plan

All full-time and certain part-time employees of the Princeton Public Utilities 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.

##### 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.

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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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.

---

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 10. Defined Benefit Pension Plans (Continued)

---

#### Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the Commission was required to contribute 7.50 percent for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2022, were \$79,263. The Commission's contributions were equal to the required contributions as set by state statute.

#### Pension Costs

At December 31, 2022, the Commission reported a liability of \$1,053,363 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. 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 \$30,904.

The net pension liability was measured as of June 30, 2022, 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 proportion 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0133 percent at the end of the measurement period and 0.0165 percent for the beginning of the period.

Commission's proportionate share of net pension liability	\$	1,053,363
State of Minnesota's proportionate share of the net pension liability associated with the Commission		30,904
Total	<u>\$</u>	<u>1,084,267</u>

**PRINCETON PUBLIC UTILITIES COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans (Continued)**

*Pension Costs (Continued)*

For the year ended December 31, 2022, the Commission recognized pension expense of \$22,342 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$4,618 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, 2022, 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
Differences between expected and actual economic experience	\$ 8,798	\$ 13,974
Changes in actuarial assumptions	294,021	5,380
Net collective difference between projected and actual investment earnings		68,424
Changes in proportion	1,383	108,486
Contributions paid to PERA subsequent to the measurement date	42,696	
Total	<u>\$ 346,898</u>	<u>\$ 196,264</u>

Reported in the financial statements as:

Electric Fund	\$ 260,813	\$ 145,119
Water Fund	86,085	51,145
Total	<u>\$ 346,898</u>	<u>\$ 196,264</u>

The \$42,696 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 during the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2023	\$ 54,454
2024	58,234
2025	(100,012)
2026	95,262

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 10. Defined Benefit Pension Plans (Continued)

---

#### *Long-Term Expected Return on Investment*

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100%	

#### *Actuarial Methods and Assumptions*

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

# PRINCETON PUBLIC UTILITIES COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 10. Defined Benefit Pension Plans (Continued)

---

#### Actuarial Assumptions (continued)

There following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

#### Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the 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 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.

#### 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 one percentage point lower or one percentage point higher than the current discount rate:

	<b>Sensitivity Analysis</b>	
	<i>Net Pension Liability at Different Discount Rates</i>	
	<u>General Employees Fund</u>	
1% Lower	5.50%	\$ 1,663,844
Current Discount Rate	6.50%	1,053,363
1% Higher	7.50%	552,677

#### 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](http://www.mnpera.org).

**PRINCETON PUBLIC UTILITIES COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2022**

**PRINCETON PUBLIC UTILITIES COMMISSION**  
**Schedule of Commission Pension Contributions**  
**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 78,398	\$ 78,398	\$	\$ 1,045,308	7.50%
2016	85,248	85,248		1,136,646	7.50%
2017	82,805	82,805		1,104,062	7.50%
2018	86,249	86,249		1,149,985	7.50%
2019	89,748	89,748		1,196,640	7.50%
2020	90,121	90,121		1,201,613	7.50%
2021	79,680	79,680		1,062,402	7.50%
2022	79,263	79,263		1,056,837	7.50%
2023					
2024					

**Note:** This schedule is intended to provide information for ten years. The Commission will include that information as it becomes available.

**PRINCETON PUBLIC UTILITIES COMMISSION**  
**Schedule of Commission and Non-Employer Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of 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 with the Utilities (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Utilities (a+b)	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
2015	0.0170%	\$ 881,028	\$	\$ 881,028	\$ 995,180	88.53%	78.20%
2016	0.0181%	1,469,630	19,156	1,488,786	1,122,267	132.66%	68.91%
2017	0.0177%	1,129,957	14,210	1,144,167	1,140,253	100.34%	75.90%
2018	0.0163%	904,258	29,600	933,858	1,092,933	85.45%	79.53%
2019	0.0166%	917,778	28,499	946,277	1,176,240	80.45%	80.23%
2020	0.0167%	1,001,243	31,027	1,032,270	1,190,453	86.71%	79.06%
2021	0.0165%	704,624	21,513	726,137	1,184,691	61.29%	87.00%
2022	0.0133%	1,053,363	30,904	1,084,267	996,522	108.81%	76.70%
2023							
2024							

**Note:** This schedule is intended to provide information for ten years. The Commission will include that information as it becomes available.



**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**SUPPLEMENTARY INFORMATION**

**December 31, 2022**

**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**SCHEDULES OF OPERATING REVENUES**

For the Years Ended December 31, 2022 and 2021

	Electric Fund		Water Fund	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>				
Residential services	\$ 2,473,325	\$ 2,501,984	\$ 731,699	\$ 774,281
Commercial and industrial sales	672,167	705,785	481,416	487,340
Power and lighting	3,608,829	3,538,099		
Security lights	20,076	20,016		
Life-of-unit diesel	378,685	366,867		
Quick start	174,240	174,240		
Penalties and connection charges	125,563	142,453	62,704	94,409
Rate stabilization		(122,225)		
Other operating revenues	250,688	329,944	39,964	76,596
	<u>250,688</u>	<u>329,944</u>	<u>39,964</u>	<u>76,596</u>
Total Operating Revenues	<u>\$ 7,703,573</u>	<u>\$ 7,657,163</u>	<u>\$ 1,315,783</u>	<u>\$ 1,432,626</u>

**(This Page is Left Blank Intentionally)**

**PRINCETON PUBLIC UTILITIES COMMISSION**

**SCHEDULES OF OPERATING EXPENSES**

For the Years Ended December 31, 2022 and 2021

	Electric Fund		Water Fund	
	2022	2021	2022	2021
<b>Operating Expenses</b>				
Production Plant				
Salaries and wages	\$ 184,607	\$ 203,972	\$ 53,661	\$ 84,032
Repairs and maintenance	186,100	191,734	41,159	33,010
Natural gas	20,415	12,477	8,300	5,914
Purchased power and for pumping	4,655,535	4,471,125	33,355	33,401
Total Production Plant	<u>5,046,657</u>	<u>4,879,308</u>	<u>136,475</u>	<u>156,357</u>
Distribution System				
Salaries and wages	364,164	360,631	103,799	97,889
Supplies and maintenance	137,012	168,136	88,308	34,914
Total Distribution System	<u>501,176</u>	<u>528,767</u>	<u>192,107</u>	<u>132,803</u>
Customer Service				
Salaries and wages	121,872	115,968	64,953	57,813
Supplies and maintenance	28,705	24,582	6,098	5,392
Bad debts	2,897	1,918	662	151
Total Customer Service	<u>153,474</u>	<u>142,468</u>	<u>71,713</u>	<u>63,356</u>
General and Administrative				
Salaries and wages	124,587	109,537	63,005	57,834
Employee pensions and benefits	410,495	333,655	86,342	68,454
Outside services	104,287	83,540	28,832	31,637
Office supplies and expense	30,913	33,443	5,550	7,209
Dues and subscriptions	11,378	11,110	1,989	2,052
Insurance	21,454	14,358	8,890	5,308
Telephone	4,044	4,245	791	790
Miscellaneous administrative	107,398	101,375	23,684	3,107
Total General and Administrative	<u>814,556</u>	<u>691,263</u>	<u>219,083</u>	<u>176,391</u>
Depreciation expense	<u>691,655</u>	<u>685,235</u>	<u>398,709</u>	<u>388,181</u>
Total Operating Expenses	<u>\$ 7,207,518</u>	<u>\$ 6,927,041</u>	<u>\$ 1,018,087</u>	<u>\$ 917,088</u>

**(This Page is Left Blank Intentionally)**

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of Princeton Public Utilities Commission, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the Princeton Public Utilities Commission's basic financial statements and have issued our report thereon dated June 22, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Princeton Public Utilities Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Princeton Public Utilities Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Princeton Public Utilities Commission's internal control over financial reporting.

*A deficiency in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

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

### **Report on Compliance and Other Matters**

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



Commissioners  
**Princeton Public Utilities Commission**

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that Princeton Public Utilities Commission failed to comply with provisions of the depositories of public funds and public investments, contracting – bid laws, conflicts of interest, public indebtedness, 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 Minn. Stat. Sec. 6.65, insofar as they relate to accounting matters. 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.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith, Schafu and Associates, Ltd.*

Minneapolis, Minnesota  
June 22, 2023