

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE  
OPERATIONS (SELCO) - ELECTRIC**

Financial Statements  
December 31, 2018 and 2017

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
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DECEMBER 31, 2018 AND 2017

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**GOULET, SALVIDIO  
& ASSOCIATES, P.C.**  

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**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Town of Shrewsbury, Massachusetts  
Shrewsbury Electric and Cable Operations (SELCO) – Electric  
Shrewsbury, Massachusetts 01545

We have audited the accompanying financial statements of Shrewsbury Electric and Cable Operations (SELCO) – Electric as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise SELCO-Electric's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shrewsbury Electric and Cable Operations (SELCO) – Electric as of December 31, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Shrewsbury Electric and Cable Operations (SELCO) – Electric and do not purport to, and do not present fairly the financial position of the Town of Shrewsbury, Massachusetts, as of December 31, 2018 and 2017, and the changes in financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Post-Employment Benefits and Net Pension Liability information on pages three through seven and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Electric Operating Revenues, Schedules of Operation and Maintenance Expenses and Schedules of Kilowatt Hours Sold on pages 40 through 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

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

Worcester, Massachusetts  
May 3, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Shrewsbury Electric and Cable Operations (SELCO) - Electric (an enterprise fund of the Town of Shrewsbury, Massachusetts) annual financial report, management provides narrative discussion and analysis of the financial activities of SELCO - Electric for the years ended December 31, 2018 and 2017. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### Overview of the Financial Statements:

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

The Statements of Net Position is designed to indicate the financial position as of a specific point in time. At December 31, 2018, it shows our net position increased \$907,520 compared to the year ended December 31, 2017.

The Statements of Revenues, Expenses and Changes in Net Position summarize the operating results and reveal how much income, if any, was earned for the year. As discussed in more detail below, there was a net income for the years ended December 31, 2018 and 2017 of \$1,148,460 and \$2,468,812, respectively.

The Statements of Cash Flows provide information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Statements of Cash Flows indicates that the cash receipts from operating activities, (that is, electricity sales and related services) adequately covered the operating expenses for the years ended December 31, 2018 and 2017.

### Summary of Net Position

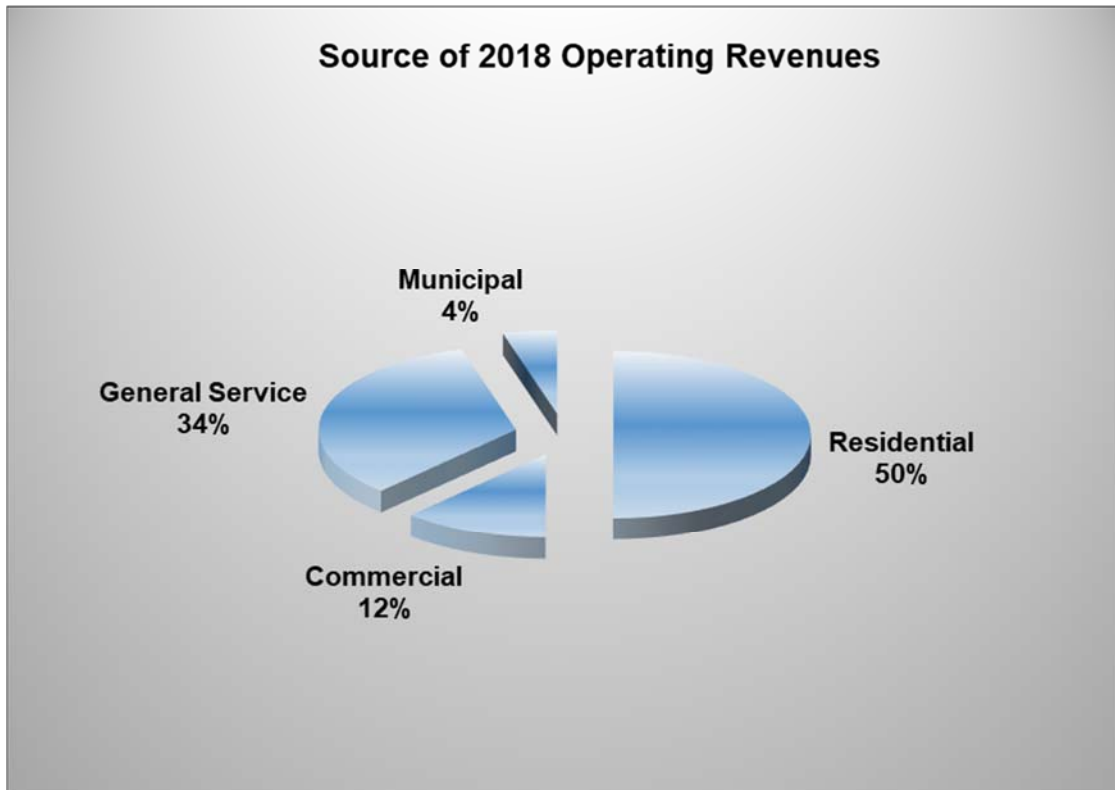
	<b>2018</b>	<b>(As Revised) 2017</b>
Current Assets	\$ 12,345,214	\$ 10,726,976
Noncurrent Assets	51,584,548	43,530,416
<b>Total Assets</b>	<b>63,929,762</b>	<b>54,257,392</b>
Deferred Outflows of Resources	1,053,721	477,573
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 64,983,483</b>	<b>\$ 54,734,965</b>
Current Liabilities	\$ 3,178,802	\$ 2,748,014
Noncurrent Liabilities	14,815,781	6,415,166
<b>Total Liabilities</b>	<b>17,994,583</b>	<b>9,163,180</b>
Deferred Inflows of Resources	6,332,143	5,822,548
Net Position:		
Net Investment in Capital Assets	23,498,884	25,576,962
Net Position Restricted for Depreciation	3,372,473	3,369,102
Unrestricted Net Position	13,785,400	10,803,173
<b>Total Net Position</b>	<b>40,656,757</b>	<b>39,749,237</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 64,983,483</b>	<b>\$ 54,734,965</b>

### Summary of Changes in Net Position

	<b>2018</b>	<b>(As Revised) 2017</b>
Operating Revenues	\$ 32,423,215	\$ 29,800,076
Operating Expenses	30,882,510	27,371,462
Operating Income	1,540,705	2,428,614
Non-Operating Revenues Less Non-Operating Expenses	(392,245)	40,198
Income Before Contributions and Transfers	1,148,460	2,468,812
Implementation of GASB 75	0	(1,538,601)
Transfer Out - Payment in Lieu of Taxes	(240,940)	(240,936)
Net Position, January 1	39,749,237	39,059,962
<b>Net Position, December 31</b>	<b>\$ 40,656,757</b>	<b>\$ 39,749,237</b>

#### Financial Highlights:

Kilowatt-hour sales for the year ended December 31, 2018, were approximately 5.6 percentage points or 15,268,034 more than kilowatt-hours sales for 2017. Operating revenues for 2018 were \$2,623,139 or 8.8% more than 2017.



**Rate Matters:**

For electric bills issued after November 1, 2014 the component of the rate previously titled “Transition” was replaced by a new component titled “Generation & Transmission Adjustment (GTA).” The GTA is calculated and scheduled on a semi-annual basis to offset fluctuations in power cost during the fall/winter and spring/summer cycles. This adjustable rate component enables SELCO to recover fluctuating power and transmission costs without over or under collecting the respective revenue from its customers.

For bills issued effective April 1, 2018 the Generation and Transmission Adjustment (GTA) was set at negative \$0.0076 per kWh. The GTA was set at negative \$0.0021 for bills issued effective October 1, 2018.

**Power Supply:**

SELCO - Electric provides electricity to its customers through fixed purchase power contracts, short term contracts, and purchases from the open market in an effort to stabilize power costs. Purchased power costs are the costs associated with buying energy and having it delivered to residents and businesses in the Town of Shrewsbury. There are circumstances that will make the cost of electric energy fluctuate, such as peak demands for electric energy caused by extended periods of time with above or below normal temperatures, unexpected power plant shutdowns for unforeseen repair, and fuel prices being affected by fluctuation in demand and the global economy.

Actual kilowatt hour purchases for the year were three percentage points more than 2017.

Working with electric power supply experts, SELCO - Electric continues to try to position itself to best manage the impact that adverse weather, and market and economic conditions have on the rates of its customers.

**Net Plant Assets and Debt Administration:**Net Plant Assets

Net plant assets increased by \$7,283,407 during 2018. This increase is the difference between the current year additions of \$9,385,815, the annual depreciation (3%) expense of \$2,087,400 and a loss on equipment disposal of \$15,008.

During 2018, SELCO – Electric capitalized the solar array farm located on Hartford Turnpike in the amount of \$7.2 million.

It should be noted that utility plant expenditures have been, and will continue to be funded with revenue received from the sale of electricity, bond proceeds, and, if necessary, a draw on SELCO - Electric reserve funds.

Debt Administration

Debt outstanding at year-end 2018 was \$4,800,000. The amount consists of one bond issue.

The issue is a \$6,000,000 general obligation bond issued January 23, 2014 to finance the construction of the Centech Sub-Station. Principal payments of \$300,000 are due annually, beginning January 15, 2015 and maturing January 15, 2034. Interest is payable semiannually January 15 and July 15 at rates starting at 3% and moving to 4%. The amount payable on this bond is \$4.8 million at December 31, 2018.

Interest and principal payments have and will continue to be paid with revenue received from the sale of electricity.

## **Net Plant Assets and Debt Administration (Continued):**

### Pooled Financing Loans

SELCO entered into two Pooled Loan Program Agreements with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for the purpose of financing the constructions of a Solar Facility and Peaking Plant Generator. Interest only is due monthly at a fixed interest rate. The outstanding principle balance as of December 31, 2018 was \$9,661,413. For December 31, 2018, capitalized interest amounted to \$183,300. These loans were subsequently termed out.

### **Return on Investment:**

The annual Return on Investment for Municipal Light Plants (Net Income less Serial Debt) is restricted by regulation and cannot exceed 8% of the year-end Cost of Plant Assets. The ROI in 2018 of \$848,460 was 1.09% of the Cost of Plant.

### **Significant Balances and Transactions:**

#### Purchased Power Working Capital

Prepayments include Purchased Power Working Capital which is an amount held by MMWEC, the Department's power supply agent. MMWEC requires that they hold a set amount of capital from which they may pay the power obligations when they are due. The fund is replenished as needed through invoices paid monthly to MMWEC.

#### PCA Fund

SELCO - Electric's PCA (Power Cost Adjustment) Fund is a contingency fund established to mitigate power costs on an as needed basis. A balance of \$1,500,000 is maintained in the Fund for that purpose

#### Construction Fund

SELCO - Electric transferred \$802,788 out of the Construction Fund during 2018. This money was set aside as a reserve to aide in the payment for the 2018 approved capital projects.

#### Depreciation Fund

SELCO - Electric maintains a Depreciation Fund, which is invested by the Town of Shrewsbury's Treasurer. This Fund is used to pay for capital investments. These items are purchased from the Operating Funds, which are then replenished by funds transferred from the Depreciation Fund. The Depreciation Fund is required by state statute. In 2018 the Fund earned \$3,371 of interest income.

#### Customer Accounts Receivable

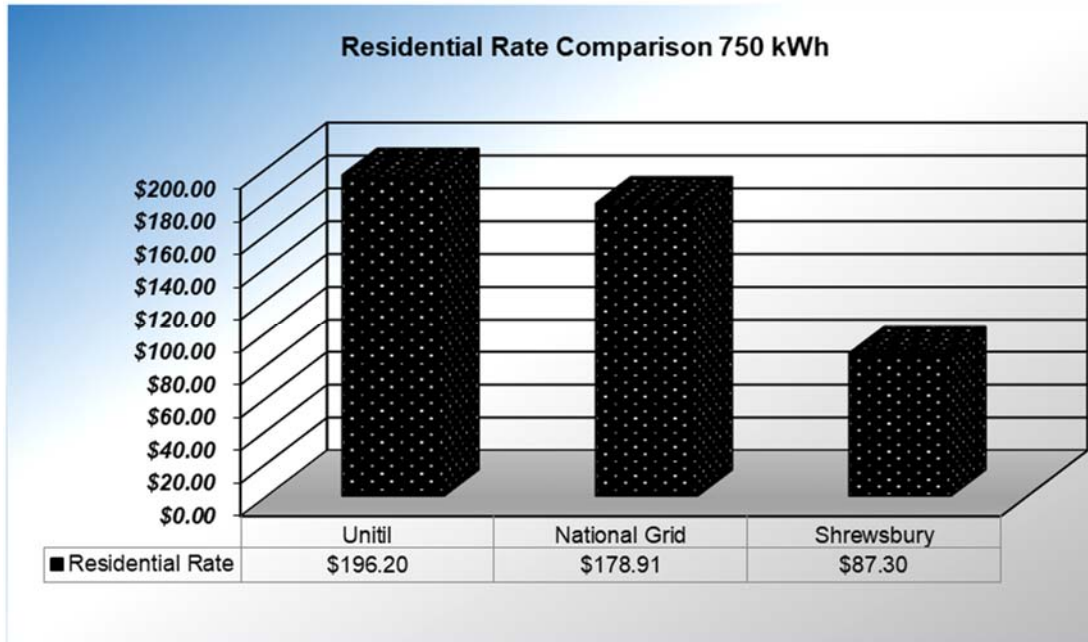
Customer Accounts Receivable is reported net of the Allowance for Doubtful Accounts. During 2018 the Allowance for Doubtful Accounts was decreased by \$5,000. Increases and decreases to the Allowance are offset to Bad Debt Expense.



**Significant Balances and Transactions (Continued):**

Rates

On average, during 2018, a SELCO - Electric residential customer, using 750 kWh per month, paid \$87.30 per month while a Unitil residential customer paid \$196.20 for the same 750 kWh. SELCO - Electric residential rates remain among the lowest in the state.



\*12 Month Average rates taken from the Massachusetts Municipal Wholesale Electric Company (MMWEC) website.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	(As Revised) 2017
	<u>          </u>	<u>          </u>
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 5,496,687	\$ 5,665,821
Funds held by MMWEC	1,443,084	0
Accounts Receivable Customers, Net	2,405,507	2,497,960
Other Receivables	1,510,059	836,950
Materials and Supplies	172,553	133,409
Energy Conservation Loans Receivable, Current Portion	51,792	60,399
Purchased Power Working Capital	1,013,225	1,393,441
Prepayments	254,360	138,996
	<u>          </u>	<u>          </u>
TOTAL CURRENT ASSETS	<u>12,347,267</u>	<u>10,726,976</u>
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	3,372,473	3,369,102
Construction Fund	2,867,297	3,670,085
Power Cost Adjustment Fund	1,500,000	1,500,000
Pooled Financing Reserve	984,428	0
Rate Stabilization Fund	4,001,613	4,153,103
Energy Conservation Loans Receivable, Net of Current Portion	84,504	99,643
Preliminary Survey Investment	750,290	0
Investments in Associated Companies	61,521	61,521
Plant Assets, Net	37,960,369	30,676,962
	<u>          </u>	<u>          </u>
TOTAL NONCURRENT ASSETS	<u>51,582,495</u>	<u>43,530,416</u>
TOTAL ASSETS	<u>63,929,762</u>	<u>54,257,392</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to OPEB	44,496	0
Deferred Outflows of Resources Related to Pensions	1,009,225	477,573
	<u>          </u>	<u>          </u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,053,721</u>	<u>477,573</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 64,983,483</u>	<u>\$ 54,734,965</u>

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 1,773,081	\$ 1,829,534
Accrued Expenses	443,924	618,480
Bonds Payable, Current Portion	300,000	300,000
Pooled Financing Loan, Current Portion	661,797	0
	<u>3,178,802</u>	<u>2,748,014</u>
<b>NONCURRENT LIABILITIES:</b>		
Bonds Payable, Net of Current Portion	4,500,000	4,800,000
Unamortized Debt Premium	105,110	111,855
Pooled Financing Loan, Net of Current Portion	8,999,688	0
Net OPEB Liability	970,189	1,133,486
Net Pension Liability	240,794	369,825
	<u>14,815,781</u>	<u>6,415,166</u>
<b>TOTAL LIABILITIES</b>	<u>17,994,583</u>	<u>9,163,180</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Contribution in Aid of Construction, Net	590,586	544,757
Rate Stabilization Reserve	4,217,651	4,153,103
Deferred Inflow of Resources Related to OPEB	164,465	3,799
Deferred Inflow of Resources Related to Pensions	1,359,441	1,120,889
	<u>6,332,143</u>	<u>5,822,548</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	23,498,884	25,576,962
Net Position Restricted for Depreciation	3,372,473	3,369,102
Unrestricted Net Position	13,785,400	10,803,173
	<u>40,656,757</u>	<u>39,749,237</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 64,983,483</u>	<u>\$ 54,734,965</u>

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	OPERATING FUND	
	2018	(As Revised) 2017
	<u>                    </u>	<u>                    </u>
OPERATING REVENUES:		
Sales of Electricity	\$ 32,129,249	\$ 29,558,655
Other Operating Revenues	293,966	241,421
	<u>                    </u>	<u>                    </u>
TOTAL OPERATING REVENUES	<u>32,423,215</u>	<u>29,800,076</u>
OPERATING EXPENSES:		
Operations	26,963,670	23,819,797
Maintenance	1,848,012	1,541,934
Depreciation, Net of Amortization	2,070,828	2,009,731
	<u>                    </u>	<u>                    </u>
TOTAL OPERATING EXPENSES	<u>30,882,510</u>	<u>27,371,462</u>
OPERATING INCOME	<u>1,540,705</u>	<u>2,428,614</u>
NONOPERATING REVENUES (EXPENSES):		
Grant Income	0	172,509
Interest Expense	(293,407)	(160,964)
Investment Income	14,588	16,256
Pooled Finance Issuance	(105,163)	0
Loss on Disposal of Equipment	(15,008)	0
Amortization of Premium on Debt	6,745	12,835
Amortization of Discount on Debt	0	(438)
	<u>                    </u>	<u>                    </u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(392,245)</u>	<u>40,198</u>
Income Before Contributions and Transfers	1,148,460	2,468,812
NET POSITION - JANUARY 1	39,749,237	39,059,962
Implementation of GASB 75	0	(1,538,601)
Transfers Out - Payment in Lieu of Taxes	(240,940)	(240,936)
	<u>                    </u>	<u>                    </u>
NET POSITION - DECEMBER 31	<u>\$ 40,656,757</u>	<u>\$ 39,749,237</u>

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	<u>(As Revised) 2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 31,847,559	\$ 29,578,871
Cash Paid to Suppliers	(26,283,688)	(21,353,481)
Cash Paid to Employees	(3,356,335)	(3,301,733)
Cash Paid for Benefits	(396,008)	(404,954)
Payment in Lieu of Taxes	<u>(240,940)</u>	<u>(240,936)</u>
Net Cash Provided by Operating Activities	<u>1,570,588</u>	<u>4,277,767</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to Plant Assets	(1,351,636)	(2,474,854)
Contribution in Aid of Construction	62,401	395,921
Proceeds for Pooled Financing	(887,089)	0
Repayments of Bond	(300,000)	(405,000)
Payment of Bond Interest	<u>(298,907)</u>	<u>(167,058)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,775,231)</u>	<u>(2,650,991)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividend Income	11,217	12,890
Transfers to Pooled Loan Reserve	(18,280)	0
Transfers from Rate Stabilization	216,038	0
New England Hydro Capital Investment	0	(40,700)
Payments to Customers for Energy Conservation Loans	(36,012)	(76,529)
Payments from Customers for Energy Conservation Loans	<u>59,758</u>	<u>81,284</u>
Net Cash Provided (Used) by Investing Activities	<u>232,721</u>	<u>(23,055)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(971,922)	1,603,721
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>10,835,906</u>	<u>9,232,185</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 9,863,984</u>	<u>\$ 10,835,906</u>

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	2018	(As Revised) 2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,540,705	\$ 2,428,614
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,087,400	2,014,334
Amortization of Contribution in Aid of Construction	(16,572)	(4,603)
Payment in Lieu of Taxes	(240,940)	(240,936)
Surplus Credits related to power costs	(534,252)	0
Allowance for Doubtful Accounts	(5,000)	(23,000)
Pension Expense	(180,179)	(254,980)
Other Postemployment Benefits Expense	103,104	112,524
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	97,453	(273,188)
Other Accounts Receivable	(673,109)	51,983
Materials and Supplies	(39,144)	(12,199)
Purchased Power Working Capital	380,216	132,674
Prepayments	(115,364)	180,752
Preliminary Survey Investment	(216,038)	0
Deferred Outflows of Resources Related to Pensions	(241,952)	(356,865)
Increase (Decrease) in Liabilities:		
Accounts Payable	(56,453)	459,167
Other Postemployment Benefits Obligations	(150,231)	(9,500)
Accrued Expenses	(169,056)	72,990
Net Cash Provided by Operating Activities	\$ 1,570,588	\$ 4,277,767

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the purpose of the statements of cash flows.

	2018	2017
Operating Fund	\$ 5,496,687	\$ 5,665,821
Construction Fund	2,867,297	3,670,085
Power Cost Adjustment Fund	1,500,000	1,500,000
	\$ 9,863,984	\$ 10,835,906

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 STATEMENTS OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2018 AND 2017

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2018	2017
ASSETS		
Funds on Deposit with Town Treasurer		
Investments	<u>\$ 1,353,323</u>	<u>\$ 1,415,227</u>
NET POSITION		
FIDUCIARY NET POSITION - Restricted	<u>\$ 1,353,323</u>	<u>\$ 1,415,227</u>

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TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2018	2017
Contributions	\$ 9,500	\$ 9,500
Net Investment Income (Loss)	<u>(71,404)</u>	<u>142,589</u>
CHANGES IN FIDUCIARY NET POSITION	<u>(61,904)</u>	<u>152,089</u>
FIDUCIARY NET POSITION - January 1,	<u>1,415,227</u>	<u>1,263,138</u>
FIDUCIARY NET POSITION - December 31,	<u>\$ 1,353,323</u>	<u>\$ 1,415,227</u>

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – ELECTRIC  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

Shrewsbury Electric and Cable Operations (SELCO) - Electric is a component unit of the Town of Shrewsbury, Massachusetts. SELCO - Electric purchases power, predominantly from the Massachusetts Municipal Wholesale Electric Company (MMWEC), and sells it to consumers in the Town of Shrewsbury at rates submitted to the Massachusetts Department of Public Utilities (DPU). SELCO - Electric appoints a General Manager who, under the direction and control of the Municipal Light Board, has full charge of the operation and management of SELCO - Electric.

Regulation and Basis of Presentation

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

SELCO - Electric is considered an enterprise fund of the Town of Shrewsbury, Massachusetts. The operations of SELCO - Electric are accounted for with a separate set of self-balancing accounts organized on an Enterprise Fund type basis. Enterprise funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Rate Matters

Under Massachusetts law, the electric rates of SELCO - Electric are set by the Municipal Light Board and may be changed once every three months. Rate schedules are filed with the Massachusetts DPU. While the DPU exercises general supervisory authority over SELCO – Electric, SELCO - Electric's rates are not subject to DPU approval.

Utility Plant

The statutory provision for depreciation of utility plant is computed on a straight-line method at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. Management has determined that this method is not materially different than the estimated useful lives in accordance with GAAP. Massachusetts law stipulates that SELCO - Electric may exceed the 3% depreciation rate only with the approval of the DPU. The Department used a rate of 3% for both 2018 and 2017.

SELCO - Electric charges maintenance to expense when incurred. Replacements and betterments are charged to utility plant. At the time properties are retired, the cost of the property retired less accumulated depreciation, salvage value, and any cash proceeds was charged to unappropriated earned surplus.



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

Materials and Supplies

Materials and supplies are inventories of parts, accessories and fuel purchased for use in the utility business for construction, operation and maintenance purposes. The parts and accessories are stated at cost on a first-in-first-out basis. Fuel is valued using the average cost method.

Revenue

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

Taxes

SELCO - Electric is exempt from federal and state income taxes as well as property taxes, but pays an amount in lieu of taxes to the Town of Shrewsbury.

Union Labor

Operations personnel, which includes approximately one-half of SELCO - Electric's employees, are covered by a three-year union contract which expires on June 30, 2019.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2018 financial statement presentation with no effect on previously stated net income.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, SELCO - Electric considers only unrestricted cash on deposit with the Town Treasurer as cash and cash equivalents.

SELCO incurred non-cash transactions during 2018, relating to the financing of the Solar Facility and Peaking Plant Generator that were constructed during 2018, in the amount of \$8,774,396.

Compensated Absences

SELCO - Electric's employment benefit plan provides that employees are entitled to a minimum of ten days' vacation per year up to twenty-five days per year depending on years of service and employment classification. Employees are allowed to accumulate up to 200 hours of unused vacation. Accrued amounts for accumulated vacation at December 31, 2018 and 2017 were \$130,064 and \$93,525, respectively.

Accounts Receivable, Customers, Net

SELCO - Electric carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, SELCO - Electric evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current collection conditions.

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

Accounts Receivable, Customers, Net (continued)

SELCO - Electric's policy on collections is to consider any receivable past due if payments have not been received within 60 days of receipt of notice. Termination letters are mailed with a disconnection date. Meters are disconnected if payment is not received by the disconnection date. For residential customers only, there are no disconnections performed from November 15th through March 15th due to DPU regulations.

Allowance for Doubtful Accounts

Accounts Receivable is net of allowances for doubtful accounts of \$113,000 for 2018 and \$118,000 for 2017.

Sales Tax

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

Operating Income

Operating income includes revenues and expenses related to the continuing operations of SELCO - Electric. Principal operating revenues are charges to customers for sales of electricity or services. Operating expenses are costs of providing electricity and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Deferred Compensation Plan

The employees of SELCO - Electric are eligible to participate in the Town's deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Participation in the plan is optional. All amounts of compensation deferred under the plan, all property or rights purchased with amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of participants and their beneficiaries. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Construction Fund

The Construction Fund is used to finance the following year's capital budget projects that have been approved by the Light Commissioners.

Contribution in Aid of Construction

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

Pensions

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

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

Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

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

Financial Statement Revision

The Department revised its beginning net position through the implementation of GASB Statement #75 related to accounting for OPEB. The cumulative effect of this revision was to reduce the prior year total net position by \$1,538,601, increase the OPEB liability by \$1,534,802 and increase deferred inflows of resources related to OPEB by \$3,799.

NOTE 2 – DEPRECIATION FUND:

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

NOTE 3 – RATE STABILIZATION FUND:

The Rate Stabilization Fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. The fund is for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization fund balance at December 31, 2018 and 2017 was \$4,001,613 and \$4,153,103, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision of rate refund. These funds are commingled and deposited in external investment pools. The total amount of these external investment pools as of December 31, 2018 and 2017 was \$80,961,792 and \$80,389,045, respectively, of which SELCO - Electric's ownership was approximately 4.76% and 5.17%, respectively.

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NOTE 4 – PURCHASED POWER WORKING CAPITAL:

SELCO - Electric made an advance deposit to Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC requires that they hold a set amount of capital from which it may pay power obligations when they are due. The funds are replenished as needed from the payments of monthly invoices. The balance in the fund as of December 31, 2018 and 2017 was \$1,013,225 and \$1,393,441, respectively.

NOTE 5 – CONCENTRATION OF CREDIT RISK:

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

NOTE 6 – ACCOUNTS RECEIVABLE CUSTOMERS:

	2018	2017
Accounts Receivable Customers	\$ 2,518,507	\$ 2,615,960
Allowance for Doubtful Accounts	(113,000)	(118,000)
Accounts Receivable Customers, Net	\$ 2,405,507	\$ 2,497,960

NOTE 7 – OTHER RECEIVABLES:

	2018	2017
Due from Town Departments	\$ 813,825	\$ 578,059
Due from MMWEC	480,228	93,588
SELCO - Cable	90,618	124,736
Liens	26,093	24,323
Merchandise & Jobbing Receivable	99,295	16,244
	\$ 1,510,059	\$ 836,950

NOTE 8 – ENERGY CONSERVATION LOANS:

SELCO - Electric offers 0% interest energy conservation loans for residential and municipal customers. The loans are available for conversion of electric heating systems to energy efficient, non-electric heating systems or for other efficiency upgrades, such as installation of energy efficient replacement windows, solar panels, geothermal heating systems, or additional insulation. The maximum loan amount is \$10,000 for residential loans; municipal loan amounts are determined and approved on a case by case basis. The maximum repayment period is sixty months for residential loans and varies with each municipal loan. At December 31, 2018, SELCO - Electric had 42 Energy Conservations Loans Receivable totaling \$136,296. At December 31, 2017, SELCO - Electric had 33 Energy Conservations Loans Receivable totaling \$160,042.

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NOTE 9 – INVESTMENTS IN ASSOCIATED COMPANIES:

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), SELCO - Electric has funded its equity requirements for the Hydro-Quebec phase II interconnection. SELCO - Electric's ownership interest is less than one quarter of one percent in both projects. During 2017, SELCO - Electric made an additional capital contribution of \$40,700 to NEH. The securities are stated at cost. Fair market value approximates stated value.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2018</u>	<u>2017</u>
Cost of Capital Assets Acquired	\$ 78,921,212	\$ 69,760,415
Less: Accumulated Depreciation	(40,960,843)	(39,083,453)
Less: Outstanding Debt Related to Capital Assets	<u>(14,461,485)</u>	<u>(5,100,000)</u>
Net Investment in Capital Assets	<u>\$ 23,498,884</u>	<u>\$ 25,576,962</u>

NOTE 11 – PLANT ASSETS:

	<u>Balance January 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2018</u>
Capital Assets Not Being Depreciated:				
Land	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in Progress	41,063	1,159,722	-	1,200,785
Total	<u>180,355</u>	<u>1,159,722</u>	<u>-</u>	<u>1,340,077</u>
Capital Assets Being Depreciated:				
Production Plant	5,804,418	7,310,830	-	13,115,248
Transmission Plant	1,980,475	-	-	1,980,475
Distribution Plant	49,603,012	767,988	(25,198)	50,345,802
General Plant	12,192,155	147,275	(199,820)	12,139,610
Total	<u>69,580,060</u>	<u>8,226,093</u>	<u>(225,018)</u>	<u>77,581,135</u>
Less Accumulated Depreciation For:				
Production Plant	(3,607,601)	(107,395)	-	(3,714,996)
Transmission Plant	(118,677)	(59,414)	-	(178,091)
Distribution Plant	(25,874,113)	(1,323,730)	25,198	(27,172,645)
General Plant	(9,483,062)	(596,861)	184,812	(9,895,111)
Total Accumulated Depreciation	<u>(39,083,453)</u>	<u>(2,087,400)</u>	<u>210,010</u>	<u>(40,960,843)</u>
Capital Assets Being Depreciated, Net	<u>30,496,607</u>	<u>6,138,693</u>	<u>(15,008)</u>	<u>36,620,292</u>
Plant Assets, Net	<u>\$ 30,676,962</u>	<u>\$ 7,298,415</u>	<u>\$ (15,008)</u>	<u>\$ 37,960,369</u>

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NOTE 11 – PLANT ASSETS (Continued):

Depreciation expense for the years ended December 31, 2018 and 2017 was \$2,087,400 and \$2,014,334, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$16,572 and \$4,603 related to contribution in aid of construction for the years ended December 31, 2018 and 2017, respectively.

NOTE 12- POOLED FINANCING LOAN:

SELCO entered into two Pooled Loan Program Agreements with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for the purpose of financing the constructions of a Solar Facility and Peaking Plant Generator. Interest only is due monthly at a fixed interest rate. The outstanding principle balance as of December 31, 2018 was \$9,661,485. For December 31, 2018, capitalized interest amounted to \$183,300. This loan was subsequently termed out. See Note 22.

	2018
Note Payable for Peaking Plant Generator, Pooled Loan with MMWEC payable in monthly installments Including a fixed interest rate of 3.20%. Due June 2031.	\$ 2,373,207
Note Payable for Solar Facility, Pooled Loan with MMWEC payable in monthly installments Including a fixed interest rate of 3.11%. Due June 2029.	7,288,278
	9,661,485
Less: Current Maturities	(661,797)
Long-Term Pooled Financing, Less Current Portion	\$ 8,999,688
Maturities of Pooled Financing are shown as follows:	
2019	\$ 661,797
2020	817,220
2021	843,133
2022	869,868
2023	897,451
2024-2028	4,932,605
2029-2031	639,411
Total	\$ 9,661,485

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NOTE 12- POOLED FINANCING LOAN (Continued):

At the inception of the loan, MMWEC was required to collect 10% of the initial borrowing amount to be deposited into a Reserve Requirement Account to serve as collateral for the bank. MMWEC is also required to collect 10% of the amount of interest due monthly from each pooled Loan Participant to further fund the Reserve Requirement Account. These funds will either be returned to SELCO, or used as the final loan payments at the end of the amortization period. The balance in the Pooled Financing Account, which includes both the required reserve amount as well any available funds to be spent as of December 31, 2018 was \$984,428.

NOTE 13 – LONG TERM DEBT:

General Obligation Bonds:

	2018	2017
\$6,000,000 General Obligation Bond issued January 23, 2014; principal payments of \$300,000 due annually, beginning January 15th, 2015 and maturing January 15, 2034. Interest is payable semiannually on January 15 and July 15, at rates starting at 3% and moving to 4%.	\$ 4,800,000	\$ 5,100,000
Less: Current Portion of Bonds Payable	300,000	300,000
Total Long-Term Debt	\$ 4,500,000	\$ 4,800,000

Maturities of Long-Term Debt are as Follows:

	Principal	Interest	Total
Year Ending December 31,	2019	300,000	441,600
	2020	300,000	435,600
	2021	300,000	429,600
	2022	300,000	422,850
	2023	300,000	415,350
	2024-2028	1,500,000	1,940,100
	2029-2033	1,500,000	1,687,500
	2034	300,000	306,000
	Total	\$ 4,800,000	\$ 6,078,600

NOTE 14 – PENSION PLAN:

Plan Description

SELCO - Electric, through the Town of Shrewsbury, is a member of the Shrewsbury Contributory Retirement System which, in turn, is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a cost-sharing multiple-employer contributory defined benefit plan for all Town employees except those employees who are covered by teachers' retirement board. The Plan's separately issued financial statements can be obtained by contacting Shrewsbury Contributory Retirement System at 100 Maple Avenue, Shrewsbury, Massachusetts 01545.

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NOTE 14 – PENSION PLAN (Continued):

Benefits Provided

The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of member's highest three-year average annual rate of regular compensation. For members who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors: including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification. Employees who resign from state service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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

Contributions

Active members are required to contribute at rates from 5-9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above \$30,000.



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NOTE 14 – PENSION PLAN (Continued):

SELCO - Electric is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the member units based on the actuarial study. The actuarially determined SELCO - Electric contribution is an amount, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance the unfunded liability. SELCO - Electric's required contributions to the System for the years ended December 31, 2018 and 2017 were \$356,162 and \$647,207, respectively, which were paid during calendar years 2017 and 2016, respectively.

Pension Liabilities

At December 31, 2018 and 2017, SELCO - Electric reported a liability of \$240,794 and \$369,825, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2018 and January 1, 2017, respectively. SELCO – Electric's portion of the net pension liability was based on the current employees, retirees, inactive participants and actual share of the net position to the entire System as of the measured date of December 31, 2017. SELCO - Electric's portion of the net pension liability was based on the percentage of SELCO –Electric's contributions to the total System contributions as of the measured date of December 31, 2016. At the measured date of December 31, 2017 and 2016, SELCO – Electric's portion was 5.70% and 1.96%, respectively.

Pension Income (Expense)

For the years ended December 31, 2018 and 2017, SELCO - Electric recognized a pension income (expense) of \$180,179 and \$254,981 respectively. For the years ended December 31, 2018 and 2017, SELCO - Electric reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2018</u>	<u>2017</u>
Differences between expected and actual experience	\$ 137,327	\$ 52,860
Net difference between projected and actual earnings on pension plan investments	167,064	67,848
Changes in proportion and differences between employer contributions and Department proportionate share	462,882	0
Department contributions subsequent to the measurement date	<u>241,952</u>	<u>356,865</u>
Total	<u>\$ 1,009,225</u>	<u>\$ 477,573</u>
 <u>Deferred Inflows of Resources Related to Pension</u>		
Changes of assumption	\$ (23,263)	\$ (11,287)
Net asset gain	(486,267)	0
Net difference between projected and actual earnings on pension plan investments	(84,858)	(41,175)
Changes in proportion and differences between employer contributions and Department proportionate share	<u>(765,053)</u>	<u>(1,068,427)</u>
Total	<u>\$ (1,359,441)</u>	<u>\$ (1,120,889)</u>

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NOTE 14 – PENSION PLAN (Continued)

Pension Income (Expense) (continued)

Of the total amount reported as deferred outflows of resources related to pensions, \$241,952 resulting from Department contributions paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the Department’s pension expense as follows:

<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Year Ended December 31:	Year Ended December 31:
2019     \$ 153,291	2019     \$ (270,139)
2020           153,291	2020        (270,139)
2021           153,291	2021        (270,139)
2022           153,291	2022        (270,139)
2023           153,291	2023        (270,139)
2024             818	2024        (8,746)
Total         \$ <u>767,273</u>	<u>\$(1,359,441)</u>

Actuarial Assumptions

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

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	The Actuarial Value of Assets is the market value as reported by the Public Employees Retirement Administration Commission (PERAC).
Inflation Rate	Not explicitly assumed
Projected Salary Increases	3.5%, per year.
Cost of Living Allowance	3.0% of the lesser of the pension amount and \$12,000 per year.
Mortality Rates:	
Healthy Retirees	RP-2014 Blue Collar Mortality Table with Scale MP-2014.
Disabled Retirees	RP-2000 Mortality Table set forward two years for disabled members.
Investment Rate of Return	7.5% per year.

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NOTE 14 – PENSION PLAN (Continued):

Investment Policy

The Plan’s asset allocation policies are established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan’s target asset allocation as of the measured date of December 31, 2017 are summarized in the following schedule.

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Weighted Average
Domestic Equity	33%	6.00%	1.98%
Developing Markets Equit	11.00%	4.90%	0.54%
Emerging Market Equities	7.00%	10.40%	0.73%
Real Assets	17.00%	6.60%	1.12%
Core Fixed Income	10.00%	2.00%	0.20%
High Yield Fixed Income	11%	4.80%	0.53%
Private Equity	6%	10.40%	0.62%
Hedge Funds	5%	1.60%	0.08%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Proportionate share of the Net Pension Liability	\$ 1,064,654	\$ 240,794	(454,500)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Shrewsbury Contributory Retirement System financial report.

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NOTE 15 – RELATED PARTY TRANSACTIONS:

The Electric and Cable Operations are enterprise funds of the Town of Shrewsbury and are both under the management of the same Municipal Light Board.

Amounts due from SELCO - Cable consist of various payments by SELCO - Electric made on behalf of SELCO - Cable. Payments were for shared operating expenses.

In 2018 and 2017 SELCO - Electric paid the Town amounts of \$1,537,550 and \$1,159,801, respectively. Included in the 2018 and 2017 payments was a retirement funding payment in the amount of \$241,952 and \$356,865, respectively. Also, included in 2018 and 2017 payments was payment in lieu of taxes amount of \$240,940 and \$240,936, respectively.

At December 31, 2018 and 2017, the outstanding balances payable to the Town were \$135,944 and \$140,034, respectively.

In 2018 and 2017, SELCO - Electric received payments from the Town for municipal electric service in the amounts of \$1,264,561 and \$1,326,286, respectively. The outstanding electric customer receivable balances due from the Town at December 31, 2018 and 2017 were \$77,475 and \$83,760, respectively.

NOTE 16 – PAYMENT IN LIEU OF TAXES:

The SELCO Commission is responsible for determining the amount that the Light Department pays to the Town in lieu of taxes. The payment in lieu of taxes was \$240,940 and \$240,936 for the years ended December 31, 2018 and 2017, respectively.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was established by vote of the Board of Light Commissioners on May 11, 2009. The Board voted to accept the provisions of MGL Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund. The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The SELCO - Electric Fund is held under the custodianship of the Treasurer of the Town of Shrewsbury. The balance in the Trust as of December 31, 2018 and 2017 was \$1,353,323 and \$1,415,227, respectively.

The Trust implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which provides a definition of fair value. That 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 and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described on the following page.

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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to 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 following is a description of the valuation methodologies used for assets measured at fair value.

- Mutual Funds:  
Valued at closing price as reported on the active market on which the individual funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SELCO - Electric OPEB Trust Fund's management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth, by level within the fair value hierarchy, SELCO - Electric's OPEB Trust Fund investments at fair value at December 31, 2018 and 2017. As of December 31, 2018 and 2017, SELCO – Electric OPEB Trust Fund did not have any investments that were measured using Level 2 or Level 3 inputs.



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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

Net OPEB Liability of the Plan

The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB Liability	\$ 2,399,732
Fiduciary Net Position	<u>(1,429,543)</u>
Net OPEB Liability	<u>\$ 970,189</u>

Fiduciary net position as a percentage of the total OPEB liability was 59.5%.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following assumptions, applied to all periods included in the measurement:

Inflation	3%
Investment rate of return	7.50%, net of investment expenses
Healthcare cost trend rate	5% for 2016, decreasing .5% per year to an ultimate rate of 4.5%.
Pre-Retirement Mortality- All Groups	RP-2014 Blue Collar Mortality Table, with scale MP-2015, fully generational.
Post-Retirement Mortality- Group 1 and 2	RP-2014 Blue Collar Mortality Table, set forward 5 years for males and 3 years for females fully generational, fully generational.
Group 4	RP-2014 Blue Collar Mortality Table, set forward 3 years for males and 6 years for females fully generational, fully generational.

The actuarial assumptions used in June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2018.

The long-term expected rate of return on OPEB plan investments was not provided.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

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

The following presents the net OPEB liability calculated using the discount rate of 7.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB Liability	\$ 1,113,629	\$ 970,189	\$ 852,325

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

The following presents the net OPEB liability calculated using current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6% year 1 decreasing to 4%) or 1-percentage point higher (8% year 1 decreasing to 6%) than the current healthcare cost trend rates:

	<u>1% Decrease 6% Year 1 Decreasing to 4.5%</u>	<u>Current Healthcare Cost Trend Rates 7% Year 1 Decreasing to 4.5%</u>	<u>1% Increase 8% Year 1 Decreasing to 5.5%</u>
Net OPEB Liability	\$ 839,511	\$ 970,189	\$ 1,132,787

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

SELCO - Electric implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended June 30, 2018. As required by GASB 75, the SELCO - Electric has recorded the net OPEB obligation at the beginning of the transition year as determined by an actuarial study, and has applied the measurement recognition requirements of GASB 75 on a prospective basis.

Plan Description

The Town of Shrewsbury administers the retiree health care benefits program—a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees.

Plan Membership

At the measurement date of June 30, 2018, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	33
Active plan members	<u>36</u>
Total Number of Participants	<u><u>69</u></u>



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NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

Contributions

SELCO - Electric's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The contribution requirements of plan members and the Department are established and may be amended through Department ordinances. For the year ending on and the measurement date of June 30, 2018, total premiums plus implicit costs for the retiree medical program were \$543,519.

OPEB Liabilities

At December 31, 2018 and 2017 the Department reported a liability of \$970,189 and \$1,133,486, respectively, for its net OPEB liability. The 2018 and 2017 net OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

OPEB Expense

For the year ended December 31, 2018, the Department recognized OPEB Expense of \$103,104. At December 31, 2018 and 2017, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2018</u>
Changes of assumptions	\$ 19,849
Net difference between projected and actual earnings on OPEB plan investments	<u>24,647</u>
	<u>\$ 44,496</u>

<u>Deferred Inflows of Resources Related to OPEB</u>	
Differences between expected and actual experience	\$ (161,616)
Net difference between projected and actual earnings on OPEB plan investments	<u>(2,849)</u>
	<u>\$ (164,465)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Department's OPEB expense as follows:

<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
Year Ended December 31:			Year Ended December 31:		
2019	\$	9,719	2019	\$	(29,914)
2020		9,719	2020		(29,914)
2021		9,719	2021		(29,914)
2022		9,719	2022		(28,964)
2023		3,557	2023		(28,964)
2024		<u>2,063</u>	2024		<u>(16,795)</u>
Total	\$	<u>44,496</u>			<u>\$ (164,465)</u>

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NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

OPEB Expense (continued)

GASB 75 requires the disclosure of actuarial assumptions, the discount rate, and sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. Refer to previous note “Other Postemployment Benefit Trust Fund” for these disclosures.

NOTE 19 – REFUND OF EXCESS PROJECT FUNDS:

SELCO - Electric receives annually from Massachusetts Municipal Wholesale Electric Company, (MMWEC), excess project funds as a result of its participation in certain MMWEC power projects. Funds received in 2018 and 2017 were \$76,545 and \$1,567,324, respectively, and are included in income as a reduction of purchased power costs.

NOTE 20 – RISK MANAGEMENT:

Self-Insurance Trust

SELCO - Electric participates in Mass Municipal Self Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing general and environmental liability risks. Through the Trust, SELCO - Electric is insured for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Department. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by both SELCO - Electric and the Trust. Each participating light department contributes to the Trust based on its share of the group’s total kilowatt-hour sales. Payments for claims over the deductible limit are funded by Trust assets, or, if required, additional contributions from the participants.

Generally accepted accounting principles requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2018 and 2017, SELCO - Electric considers its’ pro rata share of these losses to be immaterial to its financial statements.

NOTE 21 – COMMITMENTS AND CONTINGENCIES:

Power Sales Agreements

Town of Shrewsbury acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

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NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Power Sales Agreements (continued)

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

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NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Power Sales Agreements (continued)

Shrewsbury Electric and Cable Operations has entered into PSAs and PPAs with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

As of December 31, 2018 total capital expenditures amounted to \$1,652,338,000, of which \$78,726,000 represents the amount associated with SELCO – Electric’s Project Capability. MMWEC’s debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$7,110,000, of which \$390,000 is associated with SELCO – Electric’s share of Project Capability. As of December 31, 2018, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$7,419,000, of which \$407,000 is anticipated to be billed to SELCO - Electric in the future.

The aggregate amount of Shrewsbury Electric and Cable Operation’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2018 was 404,000 for the year ended December 31, 2019.

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department’s total O&M costs including debt service under the PSAs were \$4,114,000 and \$4,931,000 for the years ended December 31, 2018 and 2017, respectively.

Other Power Supply

The Department has entered into a Service Agreement with MMWEC, under which MMWEC performs bulk power supply services to the Department, including services related to owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the Service Agreement, the Department is committed to purchase additional power through MMWEC in the amount of \$4,680,272 in 2019, \$3,379,385 in 2020, \$1,176,681 in 2021 and \$575,502 in 2022.

Berkshire Wind Cooperative Corporation

The Shrewsbury Electric & Cable Operations (Department), is a Member of the Berkshire Wind Cooperative Corporation (Cooperative).

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

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DECEMBER 31, 2018 AND 2017

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility.

The Shrewsbury Electric & Cable Operations has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under the PPA, the Department is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Department is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2018, total capital expenditures for the Berkshire Wind Facility amounted to \$64,863,000, of which \$6,962,000, presents the amount associated with the Department's share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$54,955,000 of which \$5,491,000 is associated with the Department's share of Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Department. As of December 31, 2018, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$73,317,000, of which \$7,287,000 is anticipated to be billed to the Department in the future.

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NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation

The estimated aggregate amount of the Shrewsbury Electric & Cable Operations required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2018 and estimated for future years is shown below.

For the Years Ending December 31,	2019	\$	642,000
	2020		607,000
	2021		606,000
	2022		606,000
	2023		605,000
	2024-2028		3,019,000
	2029-2030		<u>1,202,000</u>
	Total	\$	<u>7,287,000</u>

NOTE 22 – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through May 3, 2019 the date on which the financial statements were available to be issued. On March 22, 2019 the plant termed out Pooled Financing Loan with MMWEC.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Valuation Date	1/1/2018	1/1/2017	1/1/2016	1/1/2014
Measurement Date	12/31/2017	12/31/2016	12/31/2015	12/31/2014

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

Department's Portion of the NPL	5.69%	1.96%	5.84%	13.46%
Department's Proportionate Share of the NPL	\$ 240,794	\$ 369,825	\$ 1,219,554	\$ 2,898,886
Department's Total Employee Payroll	<u>3,356,335</u>	<u>3,301,733</u>	<u>3,150,508</u>	<u>3,123,939</u>
NPL as a Percentage of Total Employee Payroll	<u>7.17%</u>	<u>11.20%</u>	<u>38.71%</u>	<u>92.80%</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>16.80%</u>	<u>77.10%</u>	<u>82.46%</u>	<u>81.86%</u>

**Schedule of Contributions:**

Actuarially Determined Contributions	\$ 356,162	\$ 647,207	\$ 621,636	\$ 739,045
Contributions in Relation to the Actuarially Determined Contribution	<u>(356,162)</u>	<u>(647,207)</u>	<u>(621,636)</u>	<u>(739,045)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Department's Total Employee Payroll	<u>\$ 3,356,335</u>	<u>\$ 3,301,733</u>	<u>\$ 3,150,508</u>	<u>\$ 3,123,939</u>
Contributions as a Percentage of the Department's Total Employee Payroll	<u>10.61%</u>	<u>19.60%</u>	<u>19.73%</u>	<u>23.66%</u>

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

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
REQUIRED SUPPLEMENTARY INFORMATION  
SHCEDULES OF CHANGES IN THE NET OPEB LIABILITY

OPERATING FUND & OPEB TRUST FUND

	<u>2018</u>	<u>(Town Wide) 2017</u>
<b>Total OPEB Liability:</b>		
Service Cost	\$ 40,763	\$ 1,543,475
Interest	183,747	3,438,194
Differences between Expected and Actual Experience	(190,580)	0
Changes of Assumptions	23,405	0
Benefit Payments	(131,231)	(2,304,138)
Net Change in Total OPEB Liability	<u>(73,896)</u>	<u>2,677,531</u>
Total OPEB Liability - Beginning	2,473,628	45,430,360
Total OPEB Liability - Ending	<u>\$ 2,399,732</u>	<u>\$ 48,107,891</u>
<b>Plan Fiduciary Net Position:</b>		
Contributions-Employer	\$ 142,137	\$ 2,391,572
Net Investment Income	70,402	132,319
Benefit Payments	(123,137)	(2,059,702)
Net Change in Plan Fiduciary Net Position	<u>89,402</u>	<u>464,189</u>
Plan Fiduciary Net Position - Beginning	1,340,141	2,828,262
Plan Fiduciary Net Position - Ending	<u>\$ 1,429,543</u>	<u>\$ 3,292,451</u>
<b>Net OPEB Liability - Ending</b>	<u>\$ 970,189</u>	<u>\$ 44,815,440</u>

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

Note: Starting in 2018 and continuing forward this schedule will show the Electric Departments specific share of the OPEB plan. 2017 will remain the town wide numbers as allocated amounts were not available for 2017.



TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF NEW OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

OPERATING FUND & OPEB TRUST FUND

	<b>2018</b>	(Town Wide) <b>2017</b>
<b>Schedules of Net OPEB Liability:</b>		
Total OPEB Liability	\$ 2,399,732	\$ 48,107,891
Plan Fiduciary Net Position	1,429,543	3,292,451
Net OPEB Liability	\$ 970,189	\$ 44,815,440
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	59.57%	6.84%
Covered Payroll	\$ 3,253,189	\$ 67,279,575
Net OPEB Liability as a Percentage of Covered Payroll	29.82%	66.61%
<b>Schedules of Employer Contributions:</b>		
Actuarially Determined Contributions	\$ 142,137	\$ 2,391,572
Contributions in relation to the actuarially determined contribution	(150,231)	(2,636,008)
Contribution Deficiency (Excess)	\$ (8,094)	\$ (244,436)
Covered Payroll	\$ 3,253,189	\$ 67,279,575
Contributions as a percentage of covered payroll	4.62%	3.92%

**Schedules of Investment Returns:**

Annual Money-Weighted rate of Return,  
net of investment expenses

Not Provided

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

Note: Starting in 2018 and continuing forward this schedule will show the Electric Departments specific share of the OPEB plan. 2017 will remain the town wide numbers as allocated amounts were not available for 2017.

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF ELECTRIC OPERATING REVENUES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	2018	(As Revised) 2017	Increase (Decrease)
	<u>2018</u>	<u>(As Revised) 2017</u>	<u>Increase (Decrease)</u>
SALES OF ELECTRICITY			
SALES TO PRIVATE CUSTOMERS:			
Residential Sales	\$ 16,066,677	\$ 14,600,445	\$ 1,466,232
Commercial Sales	3,832,708	3,107,217	725,491
General Service Sales	10,796,526	10,516,495	280,031
Green Power Sales	7,993	8,212	(219)
TOTAL PRIVATE CUSTOMERS	<u>30,703,904</u>	<u>28,232,369</u>	<u>2,471,535</u>
MUNICIPAL SALES:			
Street Lighting	157,176	168,847	(11,671)
Lighting Municipal Buildings	1,268,169	1,157,439	110,730
TOTAL MUNICIPAL SALES	<u>1,425,345</u>	<u>1,326,286</u>	<u>99,059</u>
TOTAL SALES OF ELECTRICITY	<u>32,129,249</u>	<u>29,558,655</u>	<u>2,570,594</u>
OTHER ELECTRIC REVENUES	<u>293,966</u>	<u>241,421</u>	<u>52,545</u>
TOTAL OPERATING REVENUE	<u>\$ 32,423,215</u>	<u>\$ 29,800,076</u>	<u>\$ 2,623,139</u>

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

(As Revised)

	<u>2018</u>			<u>2017</u>			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Power Generation Expenses:</u>							
547 Fuel	\$ 167,131	\$ 167,131	\$ 0	\$ 91,289	\$ 91,289	\$ 0	\$ 75,842
548 Generation expense	39,018	39,018	0	64,933	64,933	0	(25,915)
553 Maintenance of generating and electric plant	103,044	0	103,044	51,553	0	51,553	51,491
<u>Total Power Generation Expenses</u>	<u>309,193</u>	<u>206,149</u>	<u>103,044</u>	<u>207,775</u>	<u>156,222</u>	<u>51,553</u>	<u>101,418</u>
<u>Power Production Expenses:</u>							
555 Purchased Power	19,423,320	19,423,320	0	16,115,909	16,115,909	0	3,307,411
557 Other expenses	42,847	42,847	0	445,028	445,028	0	(402,181)
<u>Total Power Production Expenses</u>	<u>19,466,167</u>	<u>19,466,167</u>	<u>0</u>	<u>16,560,937</u>	<u>16,560,937</u>	<u>0</u>	<u>2,905,230</u>
<u>Transmission Expenses:</u>							
565 Transmission of electricity by others	4,865,464	4,865,464	0	4,694,467	4,694,467	0	170,997
<u>Total Transmission Expenses</u>	<u>4,865,464</u>	<u>4,865,464</u>	<u>0</u>	<u>4,694,467</u>	<u>4,694,467</u>	<u>0</u>	<u>170,997</u>
<u>Distribution Expenses:</u>							
580 Operation supervision and engineering	200,828	200,828	0	219,999	219,999	0	(19,171)
582 Station expenses	1,164	1,164	0	4,184	4,184	0	(3,020)
583 Overhead line expenses	50,776	50,776	0	50,697	50,697	0	79
586 Meter expenses	42,462	42,462	0	43,408	43,408	0	(946)
587 Customer installation expenses	9,970	9,970	0	18,695	18,695	0	(8,725)
588 Miscellaneous distribution expenses	117,930	117,930	0	135,281	135,281	0	(17,351)
590 Maintenance supervision and engineering	45,457	0	45,457	65,621	0	65,621	(20,164)
591 Maintenance of structures	64,572	0	64,572	43,391	0	43,391	21,181
592 Maintenance of station equipment	376,932	0	376,932	356,367	0	356,367	20,565
593 Maintenance of overhead lines	931,154	0	931,154	694,631	0	694,631	236,523
594 Maintenance of underground lines	39,120	0	39,120	35,440	0	35,440	3,680
595 Maintenance of line transformers	43,350	0	43,350	60,979	0	60,979	(17,629)
596 Maintenance of street lighting and signal systems	82,653	0	82,653	88,256	0	88,256	(5,603)
<u>Total Distribution Expenses</u>	<u>2,006,368</u>	<u>423,130</u>	<u>1,583,238</u>	<u>1,816,949</u>	<u>472,264</u>	<u>1,344,685</u>	<u>189,419</u>
<u>Totals To Be Forwarded</u>	<u>\$ 26,647,192</u>	<u>\$ 24,960,910</u>	<u>\$ 1,686,282</u>	<u>\$ 23,280,128</u>	<u>\$ 21,883,890</u>	<u>\$ 1,396,238</u>	<u>\$ 3,367,064</u>

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES (Continued)  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	<b>2018</b>			(As Revised) <b>2017</b>			Increase (Decrease)
	Total	Operation	Maintenance	Total	Operation	Maintenance	
<u>Total Forwarded</u>	\$ 26,647,192	\$ 24,960,910	\$ 1,686,282	\$ 23,280,128	\$ 21,883,890	\$ 1,396,238	\$ 3,367,064
<u>Customer Account Expense:</u>							
902 Meter reading labor and expenses	42,872	42,872	0	39,717	39,717	0	3,155
903 Accounting and collecting labor and expenses	370,012	370,012	0	353,259	353,259	0	16,753
904 Uncollectible accounts	67,755	67,755	0	25,571	25,571	0	42,184
<u>Total Customer Account Expense</u>	480,639	480,639	0	418,547	418,547	0	62,092
<u>Sales Expenses:</u>							
912 Demonstrating and selling expense	160,294	160,294	0	151,618	151,618	0	8,676
<u>Administrative and General Expenses:</u>							
920 Administrative and general salaries	440,622	440,622	0	418,255	418,255	0	22,367
921 Office supplies and expense	134,626	134,626	0	117,599	117,599	0	17,027
923 Outside services employed	123,380	123,380	0	99,151	99,151	0	24,229
924 Property insurance	172,793	172,793	0	182,804	182,804	0	(10,011)
925 Injuries and damages	5,938	5,938	0	29,413	29,413	0	(23,475)
926 Employee pensions and benefits	396,008	396,008	0	404,954	404,954	0	(8,946)
930 Miscellaneous general expense	88,460	88,460	0	113,566	113,566	0	(25,106)
932 Maintenance of general plant	161,730	0	161,730	145,696	0	145,696	16,034
<u>Total Administrative and General Expenses</u>	1,523,557	1,361,827	161,730	1,511,438	1,365,742	145,696	12,119
<u>Total Operation and Maintenance Expenses</u>	\$ 28,811,682	\$ 26,963,670	\$ 1,848,012	\$ 25,361,731	\$ 23,819,797	\$ 1,541,934	\$ 3,449,951

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF KILOWATT HOURS SOLD  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	(As Revised) <u>2017</u>	Increase (Decrease)
Kilowatt Hours Sold:			
Private Consumers:			
Residential	139,494,108	130,511,265	8,982,843
Commercial	30,829,905	25,373,749	5,456,156
General Service Sales	103,970,408	103,778,307	192,101
Private Lighting	1,509,301	1,419,024	90,277
Municipal Use:			
Street Lighting	1,423,359	1,570,071	(146,712)
Government	11,522,917	10,829,548	693,369
 Total Kilowatt Hours Sold	 <u>288,749,998</u>	 <u>273,481,964</u>	 15,268,034
 Kilowatt Hours Used by Department:			
In Plant and Offices	<u>1,298,437</u>	<u>1,296,442</u>	<u>1,995</u>
 Total Kilowatt Hours Accounted For	 <u><u>290,048,435</u></u>	 <u><u>274,778,406</u></u>	 <u><u>15,270,029</u></u>
 Total Kilowatt Hours Generated	 1,428,249	 701,813	 726,436
 Total Kilowatt Hours Purchased	 <u>299,544,163</u>	 <u>290,043,937</u>	 <u>9,500,226</u>
 Total Kilowatt Hours Generated and Purchased	 <u><u>300,972,412</u></u>	 <u><u>290,745,750</u></u>	 <u><u>10,226,662</u></u>
 Total Kilowatt Hours Unaccounted For	 <u><u>10,923,977</u></u>	 <u><u>15,967,344</u></u>	 <u><u>(5,043,367)</u></u>
 Ratio of Unaccounted For Kilowatt Hours (%)	 <u>3.63%</u>	 <u>5.49%</u>	

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