

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**SHREWSBURY ELECTRIC AND CABLE**  
**OPERATIONS (SELCO) - ELECTRIC**  
Financial Statements  
December 31, 2020 and 2019

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – ELECTRIC  
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 DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 40 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 41 through 44 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  
April 14, 2021

## 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, 2020 and 2019. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### Overview of the Financial Statements:

The basic financial statements include (1) the Statements of Net Position (2) the Statements of Revenues, Expenses and Changes in Net Position (3) the 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, 2020, it shows our net position increased \$4,800,908 compared to the year ended December 31, 2019.

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, 2020 and 2019 of \$5,041,854 and \$4,121,250, 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, (electricity sales and related services) adequately covered the operating expenses for the years ended December 31, 2020 and 2019.

### Summary of Net Position

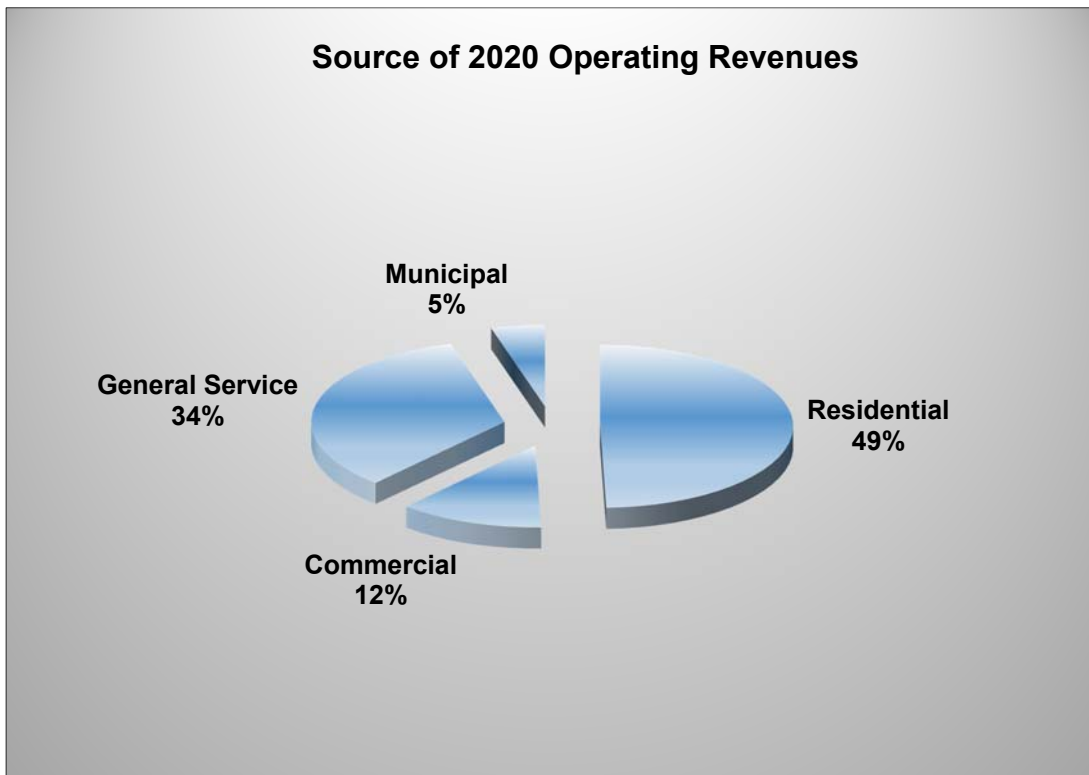
	<b>2020</b>	<b>2019</b>
Current Assets	\$ 19,275,761	\$ 15,201,351
Noncurrent Assets	51,079,197	51,642,362
Total Assets	70,354,958	66,843,713
Deferred Outflows of Resources	619,823	1,037,399
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 70,974,781</b>	<b>\$ 67,881,112</b>
Current Liabilities	\$ 3,267,208	\$ 3,267,407
Noncurrent Liabilities	12,419,226	13,873,480
Total Liabilities	15,686,434	17,140,887
Deferred Inflows of Resources	5,950,375	6,203,161
Net Position:		
Net Investment in Capital Assets	26,968,647	26,367,715
Net Position Restricted for Depreciation	2,335,398	3,375,847
Unrestricted Net Position	20,033,927	14,793,502
Total Net Position	49,337,972	44,537,064
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 70,974,781</b>	<b>\$ 67,881,112</b>

### Summary of Changes in Net Position

	<b>2020</b>	<b>2019</b>
Operating Revenues	\$ 32,430,427	\$ 32,439,008
Operating Expenses	27,006,774	27,934,686
Operating Income	5,423,653	4,504,322
Non-Operating Revenues (Expenses)	(381,799)	(383,072)
Income Before Contributions and Transfers	5,041,854	4,121,250
Transfer Out - Payment in Lieu of Taxes	(240,946)	(240,943)
Net Position, January 1	44,537,064	40,656,757
<b>Net Position, December 31</b>	<b>\$ 49,337,972</b>	<b>\$ 44,537,064</b>

#### Financial Highlights:

Kilowatt-hour sales for 2020 were less than a percentage point as compared to 2019. Operating Revenues for 2020 were within \$9,000 and a percentage point of 2019.



## **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 May 1, 2019 the Generation and Transmission Adjustment (GTA) was set at negative \$0.004 per kWh. This rate remained in effect during all of 2020.

## **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 less than a percentage point as compared to 2019.

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 decreased by \$516,289 during 2020. This decrease is the difference between the current year additions of \$1,959,521, the annual depreciation (3%) expense of \$2,475,810.

During 2019, SELCO – Electric capitalized the cost of the Centech Peaker Plant in the amount of approximately \$3 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, financing, and, if necessary, a draw on SELCO - Electric reserve funds.

### Debt Administration

Debt outstanding at year-end 2020 was \$12,382,466. The amount consists of three issues.

The first 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 \$4.2 million at December 31, 2020.

The second issue is a pooled financing loan payable to MMWEC for the Peaking Plant. The original amount of the loan was \$2,373,207. Interest is charged at 3.20% and principal payments are due monthly. This loan is payable in full by February 2031. The amount payable on this loan at December 31, 2020 was \$2,066,866.

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

The third issue is a pooled financing loan payable to MMWEC for the Solar Array Facility. The original amount of the loan was \$7,288,278. Interest is charged at 3.11% and principal payments are due monthly. This loan is payable in full by February 2029. The amount payable on this loan was \$6,115,600 at December 31, 2020.

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

## **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 \$1,000,000 into the Construction Fund during 2020. This money was set aside as a reserve to aide in the payment for the 2021 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 the cost of utility plant, costs of contractual obligations and deferred costs related to such commitments. The Depreciation Fund is required by state statute. In 2020 the Fund earned \$3,377 of interest income.

### Customer Accounts Receivable

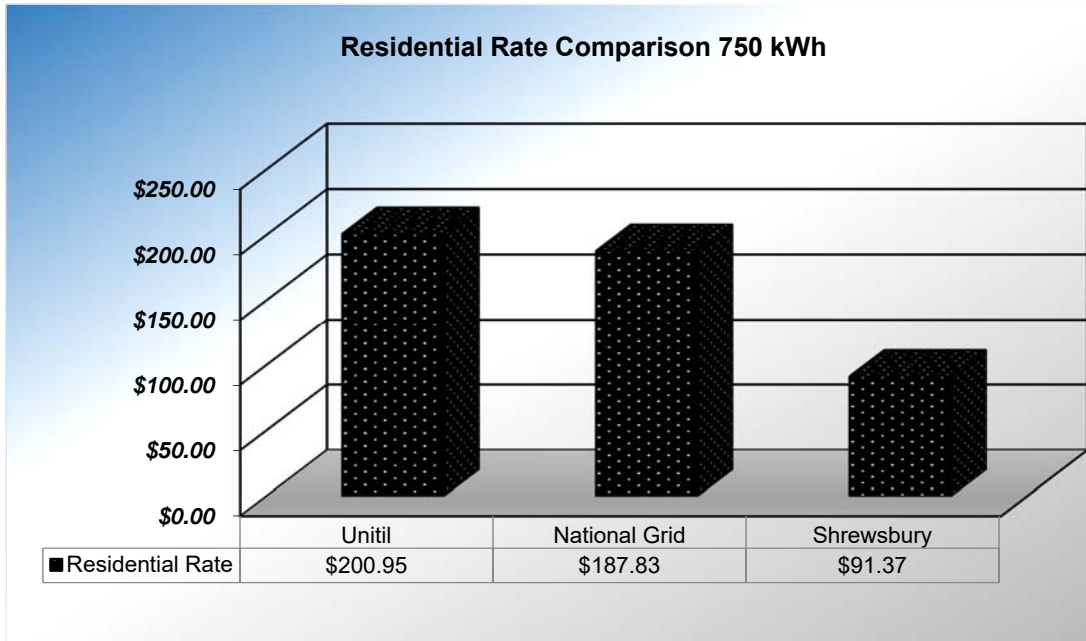
Customer Accounts Receivable is reported net of the Allowance for Doubtful Accounts. During 2020, the Allowance for Doubtful Accounts was increased to \$250,000. Increases and decreases to the Allowance are offset to Bad Debt Expense.



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

Rates

On average, during 2020, a SELCO - Electric residential customer, using 750 kWh per month, paid \$91.37 per month while a Unitil residential customer paid \$200.95 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, 2020 AND 2019

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 13,337,652	\$ 9,938,343
Accounts Receivable Customers, Net	2,330,875	2,391,862
Other Receivables	1,373,980	894,182
Materials and Supplies	149,253	151,290
Energy Conservation Loans Receivable, Current Portion	27,607	53,827
Purchased Power Working Capital	1,773,934	1,504,483
Prepayments	282,460	267,364
TOTAL CURRENT ASSETS	19,275,761	15,201,351
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	2,335,398	3,375,847
Construction Fund	1,897,290	897,290
Power Cost Adjustment Fund	1,500,000	1,500,000
Pooled Financing Reserve	1,006,574	1,067,395
Rate Stabilization Fund	3,801,563	3,765,448
Energy Conservation Loans Receivable, Net of Current Portion	28,496	54,762
Preliminary Survey Investment	1,097,242	1,052,697
Investments in Associated Companies	61,521	61,521
Plant Assets, Net	39,351,113	39,867,402
TOTAL NONCURRENT ASSETS	51,079,197	51,642,362
TOTAL ASSETS	70,354,958	66,843,713
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to OPEB	380,555	163,339
Deferred Outflows of Resources Related to Pensions	239,268	874,060
TOTAL DEFERRED OUTFLOWS OF RESOURCES	619,823	1,037,399
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 70,974,781	\$ 67,881,112

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,406,449	\$ 1,596,367
Accrued Expenses	717,626	553,819
Bonds Payable, Current Portion	300,000	300,000
Pooled Financing Loan, Current Portion	843,133	817,221
	3,267,208	3,267,407
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Bonds Payable, Net of Current Portion	3,900,000	4,200,000
Unamortized Debt Premium	91,620	98,365
Pooled Financing Loan, Net of Current Portion	7,339,333	8,182,466
Net OPEB Liability	1,088,273	967,286
Net Pension Liability	0	425,363
	12,419,226	13,873,480
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES	15,686,434	17,140,887
DEFERRED INFLOWS OF RESOURCES:		
Contribution in Aid of Construction, Net	1,084,817	901,675
Rate Stabilization Reserve	4,347,500	4,283,894
Deferred Inflow of Resources Related to OPEB	104,637	134,551
Deferred Inflow of Resources Related to Pensions	413,421	883,041
	5,950,375	6,203,161
TOTAL DEFERRED INFLOWS OF RESOURCES		
NET POSITION:		
Net Investment in Capital Assets	26,968,647	26,367,715
Net Position Restricted for Depreciation	2,335,398	3,375,847
Unrestricted Net Position	20,033,927	14,793,502
	49,337,972	44,537,064
TOTAL NET POSITION		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 70,974,781	\$ 67,881,112

See Accompanying Notes to the 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, 2020 AND 2019

OPERATING FUND

	2020	2019
OPERATING REVENUES:		
Sales of Electricity	\$ 32,288,452	\$ 32,241,028
Other Operating Revenues	141,975	197,980
	32,430,427	32,439,008
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	22,619,544	23,905,236
Maintenance	1,939,705	1,720,418
Depreciation, Net of Amortization	2,447,525	2,309,032
	27,006,774	27,934,686
TOTAL OPERATING EXPENSES		
OPERATING INCOME	5,423,653	4,504,322
NONOPERATING REVENUES (EXPENSES):		
Interest Expense	(402,870)	(420,587)
Investment Income	14,326	30,770
Amortization of Premium on Debt	6,745	6,745
	(381,799)	(383,072)
TOTAL NONOPERATING REVENUES (EXPENSES)		
Income Before Contributions and Transfers	5,041,854	4,121,250
NET POSITION - JANUARY 1	44,537,064	40,656,757
Transfers Out - Payment in Lieu of Taxes	(240,946)	(240,943)
NET POSITION - DECEMBER 31	\$ 49,337,972	\$ 44,537,064

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 31,874,616	\$ 33,017,246
Cash Paid to Suppliers	(20,987,238)	(22,546,921)
Cash Paid to Employees	(3,700,122)	(3,513,642)
Cash Paid for Benefits	(444,148)	(369,201)
Payment in Lieu of Taxes	(240,946)	(240,943)
	6,502,162	6,346,539
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to Plant Assets	(1,959,521)	(2,777,630)
Contribution in Aid of Construction	211,426	329,488
Transfers from Depreciation Fund	1,043,826	0
Repayment of Pooled Financing Principle	(756,400)	(661,798)
Repayments of Bond Principle	(300,000)	(300,000)
Payment of Bond and Pooled Financing Interest	(405,620)	(437,087)
	(2,166,289)	(3,847,027)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividend Income	10,950	27,397
Transfers to Pooled Loan Reserve	0	(82,967)
Payments to Customers for Energy Conservation Loans	(3,500)	(27,500)
Payments from Customers for Energy Conservation Loans	55,986	55,207
	63,436	(27,863)
INCREASE IN CASH AND CASH EQUIVALENTS	4,399,309	2,471,649
CASH AND CASH EQUIVALENTS - JANUARY 1	12,335,633	9,863,984
CASH AND CASH EQUIVALENTS - DECEMBER 31	\$ 16,734,942	\$ 12,335,633

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 5,423,653	\$ 4,504,322
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,475,810	2,327,431
Amortization of Contribution in Aid of Construction	(28,285)	(18,399)
Payment in Lieu of Taxes	(240,946)	(240,943)
Surplus Credits related to Power Costs	0	(46,447)
Allowance for Doubtful Accounts	137,000	0
Pension Income	(260,191)	(156,666)
Other Postemployment Benefits Expense	157,611	99,076
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(76,013)	13,645
Other Accounts Receivable	(479,798)	564,593
Materials and Supplies	2,037	21,263
Purchased Power Working Capital	(269,451)	(444,811)
Prepayments	(15,096)	(13,004)
Preliminary Survey Investment	(17,054)	0
Deferred Outflows of Resources Related to Pensions	0	(52,816)
Increase (Decrease) in Liabilities:		
Accounts Payable	(189,918)	(176,714)
Other Postemployment Benefits Obligations	(283,754)	(146,636)
Accrued Expenses	166,557	112,645
	<u>\$ 6,502,162</u>	<u>\$ 6,346,539</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2020	2019
Operating Fund	\$ 13,337,652	\$ 9,938,343
Construction Fund	1,897,290	897,290
Power Cost Adjustment Fund	1,500,000	1,500,000
	<u>\$ 16,734,942</u>	<u>\$ 12,335,633</u>

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 STATEMENTS OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2020 AND 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2020	2019
ASSETS		
Funds on Deposit with Town Treasurer		
Investments	\$ 2,046,372	\$ 1,692,595
NET POSITION		
FIDUCIARY NET POSITION - Restricted	\$ 2,046,372	\$ 1,692,595

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SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2020	2019
Contributions	\$ 113,600	\$ 113,600
Net Investment Income	240,177	225,672
CHANGES IN FIDUCIARY NET POSITION	353,777	339,272
FIDUCIARY NET POSITION - January 1,	1,692,595	1,353,323
FIDUCIARY NET POSITION - December 31,	\$ 2,046,372	\$ 1,692,595

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – ELECTRIC  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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. SELCO - Electric used a rate of 3% for both 2020 and 2019.

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 is 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 Recognition

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

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

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

Operating expenses are the 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.

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, 2022.

Reclassifications

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

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

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 had two non-cash transactions during 2020. The first was related to the pooled financing loan in the amount of \$60,821 paid using pooled loan reserve funds and the second was related to the transfer of rate stabilization funds for the 2015A Peabody Project in the amount of \$27,492.

SELCO had four non-cash transactions during 2019 relating to the transfer of rate stabilization funds for the 2015A Peabody Project in the amount of \$302,407, transfer of flush of funds to the working capital fund in the amount of \$46,447, payments of SELCO – Electric’s gas peaker plant in the amount of \$1,443,084 and the funding of the OPEB trust fund by SELCO – Cable in the amount of \$51,284.

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, 2020 and 2019 were \$182,521 and \$138,993, 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.

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 \$250,000 and \$113,000 for 2020 and 2019, respectively.

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.

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

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, 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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the SELCO - Electric's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

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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 – FUNDS HELD AT MMWEC:

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, 2020 and 2019 was \$1,773,934 and \$1,504,483, respectively. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2020 and 2019 was \$21,492,905 and \$17,947,001, respectively, of which SELCO - Electric's ownership was approximately 8.3% and 8.4%, respectively.

Rate Stabilization Fund

The Rate Stabilization Fund is held at MWMEC and 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, 2020 and 2019 was \$3,801,563 and \$3,765,448, 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, 2020 and 2019 was \$88,587,446 and \$81,726,980, respectively, of which SELCO - Electric's ownership was approximately 4.3% and 4.6%, respectively.

Prepaid PASNY Fund

The Power Authority of the State of New York (PASNY) is a New York State public-benefit corporation. It is commonly referred to as New York Power Authority (NYPA). The electricity generated from the NYPA hydro-facilities in New York provides a reduced rate for electricity specifically for residential customers in New York and New England. This is another account maintained by MMWEC from which they may pay our power obligation for the delivery of power and other obligations associated with NYPA's hydro projects. The NYPA fund balance at December 31, 2020 and 2019 was \$167,916. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2020 and 2019 was \$4,349,339 and \$4,312,061, respectively, of which SELCO - Electric's ownership was approximately 3.9%.

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NOTE 4 – 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 SELCO - Electric's deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 5 – ACCOUNTS RECEIVABLE CUSTOMERS:

	<u>2020</u>	<u>2019</u>
Accounts Receivable Customers	\$ 2,580,875	\$ 2,504,862
Allowance for Doubtful Accounts	<u>(250,000)</u>	<u>(113,000)</u>
Accounts Receivable Customers, Net	<u>\$ 2,330,875</u>	<u>\$ 2,391,862</u>

NOTE 6 – OTHER RECEIVABLES:

	<u>2020</u>	<u>2019</u>
Due from Town Departments	\$ 195,428	\$ 223,779
Due from MMWEC	789,420	487,398
SELCO - Cable	328,572	112,653
Liens	36,051	32,569
Merchandise & Jobbing Receivable	<u>24,509</u>	<u>37,783</u>
Total Other Receivables	<u>\$ 1,373,980</u>	<u>\$ 894,182</u>

NOTE 7 – ENERGY CONSERVATION LOANS:

SELCO - Electric offers 0% interest energy conservation loans for residential 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 or additional insulation. The maximum loan amount was \$3,500 for residential loans in 2020 and 2019, respectively. The maximum repayment period is sixty months. At December 31, 2020, SELCO - Electric had 25 Energy Conservations Loans Receivable totaling \$56,103. At December 31, 2019, SELCO - Electric had 33 Energy Conservations Loans Receivable totaling \$108,589.

NOTE 8 – 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. The securities are stated at cost. Fair market value approximates stated value.

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NOTE 9 – PLANT ASSETS:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 139,292	\$ 252,349	\$ 0	\$ 391,641
Construction in Progress	<u>79,949</u>	<u>110,466</u>	<u>0</u>	<u>190,415</u>
Total	<u>219,241</u>	<u>362,815</u>	<u>0</u>	<u>582,056</u>
Capital Assets Being Depreciated:				
Production Plant	16,422,037	77,376	0	16,499,413
Transmission Plant	1,980,475	38,528	0	2,019,003
Distribution Plant	51,634,462	1,203,444	(46,206)	52,791,700
General Plant	<u>12,490,106</u>	<u>277,358</u>	<u>(79,239)</u>	<u>12,688,225</u>
Total Capital Assets Being Depreciated	<u>82,527,080</u>	<u>1,596,706</u>	<u>(125,445)</u>	<u>83,998,341</u>
Less Accumulated Depreciation for:				
Production Plant	(4,005,162)	(402,662)	0	(4,407,824)
Transmission Plant	(237,505)	(59,414)	0	(296,919)
Distribution Plant	(28,463,166)	(1,444,904)	46,206	(29,861,864)
General Plant	<u>(10,173,086)</u>	<u>(568,830)</u>	<u>79,239</u>	<u>(10,662,677)</u>
Total Accumulated Depreciation	<u>(42,878,919)</u>	<u>(2,475,810)</u>	<u>125,445</u>	<u>(45,229,284)</u>
Capital Assets Being Depreciated, Net	<u>39,648,161</u>	<u>(879,104)</u>	<u>0</u>	<u>38,769,057</u>
Utility Plant Assets, Net	<u>\$ 39,867,402</u>	<u>\$ (879,104)</u>	<u>\$ 0</u>	<u>\$ 39,351,113</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$2,475,810 and \$2,327,431, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$28,285 and \$18,399 related to contribution in aid of construction for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>2020</u>	<u>2019</u>
Cost of Capital Assets Acquired	\$ 84,580,397	\$ 82,746,321
Less: Accumulated Depreciation	(45,229,284)	(42,878,919)
Less: Outstanding Debt Related to Capital Assets	<u>(12,382,466)</u>	<u>(13,499,687)</u>
Net Investment in Capital Assets	<u>\$ 26,968,647</u>	<u>\$ 26,367,715</u>

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NOTE 11 – POOLED FINANCING LOAN:

On March 22, 2019, SELCO - Electric terminated the Pooled Loan Financing Loan Agreement through MMWEC. Principal and interest are payable monthly. The interest rate is fixed at 3.20% and 3.11%. The loans mature March 2031 and March 2029. The outstanding principal balance as of December 31, 2020 and 2019 was \$8,182,466 and \$8,999,687, respectively. Total interest expense relating to this loan was \$270,020 and \$281,766 for the years ended December 31, 2020 and 2019, respectively. For December 31, 2020 and 2019, capitalized interest amounted to \$0 and \$13,750, respectively.

	2020	2019
Note Payable for Peaking Pooled Loan with MMWEC payable in monthly installments Including a fixed interest rate of 3.20%. Due March 2031.	\$ 2,066,866	\$ 2,236,185
Note Payable for Solar Facility Loan with MMWEC payable in monthly installments Including a fixed interest rate of 3.11%. Due March 2029.	6,115,600	6,763,502
Total	8,182,466	8,999,687
Less: Current Maturities	(843,133)	(817,221)
Long-Term Notes Payable, Less Current Portion	\$ 7,339,333	\$ 8,182,466

Maturities of the note payable are shown as follows:

2021	\$	843,133
2022		869,868
2023		897,451
2024		925,910
2025		955,270
2026-2030		3,651,251
2031		39,583
Total	\$	8,182,466

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 as any available funds to be spent as of December 31, 2020 and 2019 was \$1,006,574 and \$1,067,395, respectively.

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NOTE 12 – LONG TERM DEBT:

General Obligation Bond

	2020	2019
\$6,000,000 General Obligation Bond issued January 23, 2014; principal payments of \$300,000 due annually, beginning January 15, 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%.	\$ 4,200,000	\$ 4,500,000
Less: Current Portion of Bond Payable	(300,000)	(300,000)
Long-Term Bond Payable, Less Current Portion	\$ 3,900,000	\$ 4,200,000

Maturities of Long-Term Debt are shown as follows:

		Principal	Interest	Total
For Years Ending December 31,	2021	\$ 300,000	\$ 129,600	\$ 429,600
	2022	300,000	122,850	422,850
	2023	300,000	115,350	415,350
	2024	300,000	107,100	407,100
	2025	300,000	98,100	398,100
	2026-2030	1,500,000	340,500	1,840,500
	2031-2034	1,200,000	87,900	1,287,900
	Total	\$ 4,200,000	\$ 1,001,400	\$ 5,201,400

Interest expense relating to this bond was \$132,850 and \$138,850 for the years ending December 31, 2020 and 2019, respectively.

NOTE 13 – 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 13 – 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.

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, 2020 and 2019 were \$0 and \$241,952, respectively, which were paid during calendar years 2019 and 2018, respectively.

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NOTE 13 – PENSION PLAN (Continued):

Pension Liabilities

At December 31, 2020 and 2019, SELCO - Electric reported a liability of \$0 and \$425,363, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of January 1, 2020 and January 1, 2018, 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, 2019 and 2018. 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, 2019 and 2018. At the measured date of December 31, 2019 and 2018, SELCO – Electric’s portion was 0.00% and 3.84%, respectively.

Pension Income

For the years ended December 31, 2020 and 2019, SELCO - Electric recognized a pension income of \$260,191 and \$156,666 respectively. For the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 0	\$ 63,409
Net difference between projected and actual earnings on pension plan investments	0	459,576
Changes in proportion and differences between employer contributions and SELCO - Electric proportionate share	<u>239,268</u>	<u>351,075</u>
Total	<u>\$ 239,268</u>	<u>\$ 874,060</u>
<u>Deferred Inflows of Resources Related to Pension</u>	<u>2020</u>	<u>2019</u>
Changes of assumption	\$ 0	\$ 9,266
Differences between expected and actual experience	0	33,804
Net difference between projected and actual earnings on pension plan investments	0	239,343
Changes in proportion and differences between employer contributions and SELCO - Electric proportionate share	<u>413,421</u>	<u>600,628</u>
Total	<u>\$ 413,421</u>	<u>\$ 883,041</u>

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NOTE 13 – PENSION PLAN (Continued):

Pension Income (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the SELCO - Electric's pension expense as follows:

Net Deferred Outflows and Inflows of Resources Related to Pensions

Year Ended December 31:

2021	\$	(115,125)
2022		43,180
2023		(52,973)
2024		(39,766)
2025		<u>(9,469)</u>
	\$	<u>(174,153)</u>

Actuarial Assumptions

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

Valuation Date	January 1, 2020
Actuarial Cost Method	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:	Both pre-retirement and beneficiary mortality rates are reflected by the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2018 improvements until 2025.
Investment Rate of Return	7.5% per year.

Investment Policy

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

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NOTE 13 – PENSION PLAN (Continued):

Investment Policy (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major category asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan’s target asset allocation as of the measured date of December 31, 2019 are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	15.0%	5.9%
Medium Capital	10.0%	8.8%
Small Capital	8.0%	7.2%
International Equities	10.0%	3.8%
Emerging Market Equities	6.0%	9.3%
Real Assets	15.0%	6.6%
Core Fixed Income	11.0%	6.0%
High Yield Fixed Income	11.0%	2.9%
Private Equity	5.5%	9.9%
Hedge Funds	6.5%	1.5%
Timberlands	2.0%	3.9%
	<u>100.0%</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	Current Discount Rate	1% Increase
	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
Proportionate share of the Net Pension Liability	\$ 0	\$ 0	\$ 0

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 14 – 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 2020 and 2019 SELCO - Electric paid the Town amounts of \$1,308,616 and \$1,305,935, respectively. Also, included in 2020 and 2019 payments was a payment in lieu of taxes amount of \$240,946 and \$240,943, respectively.

At December 31, 2020 and 2019, the outstanding balances payable to the Town were \$145,352 and \$152,842, respectively.

In 2020 and 2019, SELCO - Electric billed the Town for municipal electric service in the amounts of \$1,371,399 and \$1,449,591, respectively. The outstanding electric customer receivable balances due from the Town at December 31, 2020 and 2019 were \$80,049 and \$69,297, respectively.

NOTE 15 – PAYMENT IN LIEU OF TAXES:

The SELCO Commission is responsible for determining the amount that SELCO – Electric pays to the Town in lieu of taxes. The payment in lieu of taxes was \$240,946 and \$240,943 for the years ended December 31, 2020 and 2019, respectively.

NOTE 16 – 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, 2020 and 2019 was \$2,046,372 and \$1,692,595, 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 below and on the following page.

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.

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NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

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, 2020 and 2019. As of December 31, 2020 and 2019, SELCO – Electric OPEB Trust Fund did not have any investments that were measured using Level 2 or Level 3 inputs.

Description	December 31, 2020 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2019 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>Investments at FMV:</u>		
Mutual Funds	\$ 1,965,027	\$ 1,684,301
<u>Other Securities:</u>		
Money Market	81,345	8,294
Total	\$ 2,046,372	\$ 1,692,595

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NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

As of December 31, 2020 and 2019, there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments.

Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pensions Plans*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting Plan liabilities and OPEB expenses.

Plan Administration

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 June 30, 2020, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	39
Active plan members	35
	74

Benefits provided

The Town provides health care benefits for retirees and their dependents. Benefits are provided through the Harvard Pilgrim, Fallon, Blue Cross Blue Shield and Tufts, and the full cost of benefits is shared between the Town and retirees.

Contributions

The Town contributes annually an actuarially determined contribution based on the results of the most recent actuarial valuation.

Investment Policy

The Governmental Unit’s Treasurer is the custodian of the fund or in the case of the light plant, an officer designated by the board. Investment of funds monies by the custodian must be consistent with the prudent person standard as set forth in the Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

Rate of Return

For the years ended June 30, 2020 and 2019, the annual money weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Net OPEB Liability of the Plan

The components of the net OPEB liability at June 30, 2020 and 2019, were as follows:

	2020	2019
Total OPEB Liability	\$ 2,870,445	\$ 2,483,316
Fiduciary Net Position	(1,782,172)	(1,516,030)
Net OPEB Liability	\$ 1,088,273	\$ 967,286

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NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

Net OPEB Liability of the Plan (continued)

Fiduciary net position as a percentage of the total OPEB liability was 62.09% and 61.05% as of June 30, 2020 and 2019, respectively.

Actuarial Assumptions

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

Inflation	4.5%
Investment rate of return	7.50%, net of investment expenses
Healthcare cost trend rate	4.5% annually in 2020 and for future periods
Mortality- All Groups	It is assumed that mortality is represented by various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the group, Pre-retirement versus post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.

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.

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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	\$ 1,250,643	\$ 1,088,273	\$ 954,886

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

The table following page 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 (3.5%) or 1-percentage point higher (5.5%) than the current healthcare cost trend rates:



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NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY TRUST FUND (Continued):

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

	1% Decrease 3.5%	Current Healthcare Cost Trend Rates 4.5%	1% Increase 5.5%
Net OPEB Liability	\$ 940,263	\$ 1,088,273	\$ 1,272,473

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

SELCO - Electric implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, provides an actuarial cost method and discount rate as well as disclosures and methodologies for reporting employer liabilities and OPEB expenses.

Plan Description

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, 2020, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	39
Active plan members	<u>35</u>
Total Number of Participants	<u><u>74</u></u>

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 SELCO – Electric are established and may be amended through SELCO – Electric ordinances. For the years ending December 31, 2020 and 2019 and the measurement dates of June 30, 2020 and 2019, respectively, total premiums plus implicit costs for the retiree medical program were \$170,154 and \$137,136, respectively.

OPEB Liabilities

At December 31, 2020 and 2019, SELCO-Electric reported a liability of \$1,088,273 and \$967,286, respectively, for its net OPEB liability. The 2020 and 2019 net OPEB liability was measured as of June 30, 2020 and June 30, 2019, respectively, and was determined by an actuarial valuation as of July 1, 2020 and July 1, 2018, respectively.

OPEB Expense

For the years ended December 31, 2020 and 2019, SELCO - Electric recognized OPEB expense of \$157,611 and \$99,076, respectively. At December 31, 2020 and 2019, SELCO – Electric reported deferred outflows of resources and deferred inflows of resources related to OPEB from sources on the following page:

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NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

OPEB Expense (continued)

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2020</u>	<u>2019</u>
Changes of assumptions	\$ 149,464	\$ 16,292
Differences between expected and actual experience	141,800	0
Net difference between projected and actual earnings on OPEB plan investments	89,291	42,947
SELCO - Electric contributions subsequent to the measurement date	<u>0</u>	<u>104,100</u>
	<u>\$ 380,555</u>	<u>\$ 163,339</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 103,688	\$ 132,652
Net difference between projected and actual earnings on OPEB plan investments	<u>949</u>	<u>1,899</u>
	<u>\$ 104,637</u>	<u>\$ 134,551</u>

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

<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
Years Ended December 31:			Years Ended December 31:		
2021	\$	81,409	2021	\$	29,913
2022		81,408	2022		28,964
2023		75,245	2023		28,964
2024		69,133	2024		<u>16,796</u>
2025		50,919			
Thereafter		<u>22,441</u>	Total	\$	<u>104,637</u>
Total	\$	<u>380,555</u>			

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 18 – 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 2020 and 2019 were \$0 and \$719,519, respectively, and are included in income as a reduction of purchased power costs.

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NOTE 19 – 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 SELCO - Electric. 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, 2020 and 2019, SELCO - Electric considers its' pro rata share of these losses to be immaterial to its financial statements.

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

Power Sales Agreements

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

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 operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 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.

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). SELCO - Electric has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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. 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. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations 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).

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NOTE 20 – COMMITMENTS AND CONTINGENCIES (Continued):

Power Sales Agreements (continued)

Pursuant to the PSAs, the MMWEC 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 Millstone and Seabrook 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.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. 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.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with SELCO – Electric’s Project Capability of the Projects in which it participates for the years ended December 31, 2020 and 2019, respectively are listed in the table below.

<u>Projects</u>	<u>Percentage Share</u>	<u>Total Capital Expenditures 2020</u>	<u>Capacity, Fuel and Transmission Billed 2020</u>	<u>Capacity, Fuel and Transmission Billed 2019</u>
Stony Brook Int.	4.3088%	\$ 7,781,856	\$ 598,396	\$ 558,939
Nuclear Mix 1-SBK	4.5828%	466,417	21,494	25,022
Nuclear Mix 1-MLS	4.5828%	2,815,511	272,274	268,721
Nuclear Project 3-MLS	4.9706%	7,447,181	591,897	585,826
Nuclear Project 4-SBK	4.9160%	14,807,540	615,690	718,642
Nuclear Project 5-SBK	2.3960%	1,954,247	77,020	89,861
Project No. 6-SBK	5.4796%	<u>30,646,151</u>	<u>961,778</u>	<u>1,260,119</u>
		<u>\$ 65,918,903</u>	<u>\$ 3,138,549</u>	<u>\$ 3,507,130</u>

Other Power Supply:

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

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NOTE 20 – COMMITMENTS AND CONTINGENCIES (Continued):

Other Power Supply (continued)

Under the terms of the Service Agreement, the SELCO - Electric is committed to purchase additional power through MMWEC in future years for the amounts listed in the table below.

For years ended December 31,	2021	\$	3,391,799
	2022		2,290,448
	2023		1,310,475
	2024		676,368
	2025		561,716
	TOTAL	\$	8,230,806

Berkshire Wind Cooperative Corporation

The Shrewsbury Electric and 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 16 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).

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.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

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 and its pro rata share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. 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. Additionally, 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.

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NOTE 20 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Department’s pro rata share of the Phases in which it participates for the years ended December 31, 2020 and 2019, respectively are listed in the table below.

<u>Phase</u>	<u>Percentage Share</u>	<u>Total Capital Expenditures 2020</u>	<u>Debt Service Billed 2020</u>	<u>Debt Service Billed 2019</u>	<u>Operations and Maintenance Billed 2020</u>	<u>Operations and Maintenance Billed 2019</u>
Berkshire Phase 1	12.718%	\$ 7,024,412	\$ 611,020	\$ 624,414	\$ 214,696	\$ 187,235

In addition, the estimated aggregate amount of the required payments for future years for SELCO - Electric’s pro rata share of the Phases in which it participates is shown below.

	<u>Total Phase 1 Debt Service</u>
For years ended December 31,	2021 \$ 615,424
	2022 615,615
	2023 615,488
	2024 616,282
	2025 615,360
	2026 to 2030 <u>3,078,488</u>
TOTAL	<u>\$ 6,156,657</u>

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REQUIRED SUPPLEMENTARY INFORMATION  
NET PENSION LIABILITY

OPERATING FUND

For the Year Ending December 31,	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2020	1/1/2018	1/1/2018	1/1/2017	1/1/2016	1/1/2015
Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Schedule of the SELCO - Electric's Proportionate Share: of the Net Pension Liability (NPL):</b>						
SELCO - Electric's Portion of the NPL	0.00%	3.84%	5.69%	1.96%	5.84%	13.46%
SELCO - Electric's Proportionate Share of the NPL	\$ 0	\$ 425,363	\$ 240,794	\$ 369,825	\$ 1,219,554	\$ 2,898,886
SELCO - Electric's Total Employee Payroll	\$ 3,700,122	\$ 3,513,642	\$ 3,356,335	\$ 3,301,733	\$ 3,150,508	\$ 3,123,939
NPL as a Percentage of Total Employee Payroll	0.00%	12.11%	7.17%	11.20%	38.71%	92.80%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	97.90%	91.68%	96.73%	77.10%	82.46%	81.86%
<b>Schedule of Contributions:</b>						
Actuarially Determined Contributions	\$ 0	\$ 241,952	\$ 356,162	\$ 647,207	\$ 621,636	\$ 739,045
Contributions in Relation to the Actuarially Determined Contribution	0	(241,952)	(356,162)	(647,207)	(621,636)	(739,045)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SELCO - Electric's Total Employee Payroll	\$ 3,700,122	\$ 3,513,642	\$ 3,356,335	\$ 3,301,733	\$ 3,150,508	\$ 3,123,939
Contributions as a Percentage of the SELCO - Electric's Total Employee Payroll	0.00%	6.89%	10.61%	19.60%	19.73%	23.66%

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

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SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY

OPERATING FUND & OPEB TRUST FUND

	2020	2019	2018	(Town Wide) 2017
<b>Total OPEB Liability:</b>				
Service Cost	\$ 44,513	\$ 42,596	\$ 40,763	\$ 1,543,475
Interest	183,322	178,124	183,747	3,438,194
Differences between Expected and Actual Experience	167,723	0	(190,580)	0
Changes of Assumptions	161,725	0	23,405	0
Benefit Payments	(170,154)	(137,136)	(131,231)	(2,304,138)
Net Change in Total OPEB Liability	<u>387,129</u>	<u>83,584</u>	<u>(73,896)</u>	<u>2,677,531</u>
Total OPEB Liability - Beginning	2,483,316	2,399,732	2,473,628	45,430,360
Total OPEB Liability - Ending	<u>\$ 2,870,445</u>	<u>\$ 2,483,316</u>	<u>\$ 2,399,732</u>	<u>\$ 48,107,891</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions-Employer	\$ 373,700	\$ 138,179	\$ 142,137	\$ 2,391,572
Net Investment Income	48,442	76,987	70,402	132,319
Benefit Payments	(156,000)	(128,679)	(123,137)	(2,059,702)
Net Change in Plan Fiduciary Net Position	<u>266,142</u>	<u>86,487</u>	<u>89,402</u>	<u>464,189</u>
Plan Fiduciary Net Position - Beginning	1,516,030	1,429,543	1,340,141	2,828,262
Plan Fiduciary Net Position - Ending	<u>\$ 1,782,172</u>	<u>\$ 1,516,030</u>	<u>\$ 1,429,543</u>	<u>\$ 3,292,451</u>
<b>Net OPEB Liability - Ending</b>	<u>\$ 1,088,273</u>	<u>\$ 967,286</u>	<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.

See Independent Auditors' Report



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

	2020	2019	2018	(Town Wide) 2017
<b>Schedules of Net OPEB Liability:</b>				
Total OPEB Liability	\$ 2,870,445	\$ 2,483,316	\$ 2,399,732	\$ 48,107,891
Plan Fiduciary Net Position	1,782,172	1,516,030	1,429,543	3,292,451
Net OPEB Liability	<u>\$ 1,088,273</u>	<u>\$ 967,286</u>	<u>\$ 970,189</u>	<u>\$ 44,815,440</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	62.09%	61.05%	59.57%	6.84%
Covered Payroll	\$ 3,372,883	\$ 3,367,051	\$ 3,253,189	\$ 67,279,575
Net OPEB Liability as a Percentage of Covered Payroll	32.27%	28.73%	29.82%	66.61%
<b>Schedules of Employer Contributions:</b>				
Actuarially Determined Contributions	\$ 248,385	\$ 226,895	\$ 217,963	\$ 2,391,572
Contributions in relation to the actuarially determined contribution	<u>(373,700)</u>	<u>(138,179)</u>	<u>(142,137)</u>	<u>(2,636,008)</u>
Contribution Deficiency (Excess)	<u>\$ (125,315)</u>	<u>\$ 88,716</u>	<u>\$ 75,826</u>	<u>\$ (244,436)</u>
Covered Payroll	\$ 3,372,883	\$ 3,367,051	\$ 3,253,189	\$ 67,279,575
Contributions as a percentage of covered payroll				
<b>Schedules of Investment Returns:</b>				
Annual Money-Weighted rate of Return, net of investment expenses	Not Provided	Not Provided	Not Provided	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.

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TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – ELECTRIC  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

OPERATING FUND & OPEB TRUST FUND

NOTE A - PENSION BENEFITS:

Changes in Assumptions

The mortality table has been updated from the RP-2014 Employees Mortality Table, with scale MP-2014, fully generational to the SOA Pub-2010 Public Retirement Plans Mortality Table, with Scale MP-2018 improvements until 2025.

NOTE B - OTHER POST EMPLOYMENT BENEFITS:

Changes in Assumptions

The mortality table has been updated from the RP-2014 Employees Mortality Table, with scale MP-2015, fully generational to the SOA Pub-2010 Public Retirement Plans Mortality Table, with Scale MP-2019 improvements until 2025.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF ELECTRIC OPERATING REVENUES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	2020	2019	Increase (Decrease)
SALES OF ELECTRICITY			
SALES TO PRIVATE CUSTOMERS:			
Residential Sales	\$ 16,843,746	\$ 15,950,441	\$ 893,305
Commercial Sales	3,604,087	3,901,646	(297,559)
General Service Sales	10,462,092	10,931,812	(469,720)
Green Power Sales	7,128	7,538	(410)
TOTAL PRIVATE CUSTOMERS	30,917,053	30,791,437	125,616
MUNICIPAL SALES:			
Street Lighting	126,585	146,891	(20,306)
Lighting Municipal Buildings	1,244,814	1,302,700	(57,886)
TOTAL MUNICIPAL SALES	1,371,399	1,449,591	(78,192)
TOTAL SALES OF ELECTRICITY	32,288,452	32,241,028	47,424
OTHER ELECTRIC REVENUES	141,975	197,980	(56,005)
TOTAL OPERATING REVENUE	\$ 32,430,427	\$ 32,439,008	\$ (8,581)

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TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF KILOWATT HOURS SOLD  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Kilowatt Hours Sold:			
Private Consumers:			
Residential	138,556,672	132,368,996	6,187,676
Commercial	28,373,364	30,615,271	(2,241,907)
General Service Sales	97,168,392	102,011,119	(4,842,727)
Private Lighting	1,380,606	1,392,984	(12,378)
Municipal Use:			
Street Lighting	1,196,731	1,399,882	(203,151)
Government	11,043,950	11,583,907	(539,957)
Total Kilowatt Hours Sold	<u>277,719,715</u>	<u>279,372,159</u>	<u>(1,652,444)</u>
Kilowatt Hours Used by Department:			
In Plant and Offices	<u>1,353,557</u>	<u>1,535,022</u>	<u>(181,465)</u>
Total Kilowatt Hours Accounted For	<u><u>279,073,272</u></u>	<u><u>280,907,181</u></u>	<u><u>(1,833,909)</u></u>
Total Kilowatt Hours Generated	5,506,721	5,306,815	199,906
Total Kilowatt Hours Purchased	<u>281,689,994</u>	<u>282,305,018</u>	<u>(615,024)</u>
Total Kilowatt Hours Generated and Purchased	<u><u>287,196,715</u></u>	<u><u>287,611,833</u></u>	<u><u>(415,118)</u></u>
Total Kilowatt Hours Unaccounted For	<u><u>8,123,443</u></u>	<u><u>6,704,652</u></u>	<u><u>1,418,791</u></u>
Ratio of Unaccounted For Kilowatt Hours (%)	<u>2.83%</u>	<u>2.33%</u>	

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TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

OPERATING FUND

	<u>2020</u>			<u>2019</u>			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Power Generation Expenses:</u>							
547 Fuel	\$ 20,466	\$ 20,466	\$ 0	\$ 49,836	\$ 49,836	\$ 0	\$ (29,370)
548 Generation expense	65,058	65,058	0	51,956	51,956	0	13,102
553 Maintenance of generating and electric plant	94,449	0	94,449	125,021	0	125,021	(30,572)
<u>Total Power Generation Expenses</u>	179,973	85,524	94,449	226,813	101,792	125,021	(46,840)
<u>Power Production Expenses:</u>							
555 Purchased Power	14,249,049	14,249,049	0	16,545,491	16,545,491	0	(2,296,442)
557 Other expenses	360,150	360,150	0	364,484	364,484	0	(4,334)
<u>Total Power Production Expenses</u>	14,609,199	14,609,199	0	16,909,975	16,909,975	0	(2,300,776)
<u>Transmission Expenses:</u>							
565 Transmission of electricity by others	5,116,083	5,116,083	0	4,332,089	4,332,089	0	783,994
<u>Total Transmission Expenses</u>	5,116,083	5,116,083	0	4,332,089	4,332,089	0	783,994
<u>Distribution Expenses:</u>							
580 Operation supervision and engineering	209,742	209,742	0	219,906	219,906	0	(10,164)
582 Station expenses	1,112	1,112	0	1,096	1,096	0	16
583 Overhead line expenses	57,157	57,157	0	54,628	54,628	0	2,529
586 Meter expenses	55,026	55,026	0	47,329	47,329	0	7,697
587 Customer installation expenses	30,451	30,451	0	14,097	14,097	0	16,354
588 Miscellaneous distribution expenses	134,514	134,514	0	152,443	152,443	0	(17,929)
590 Maintenance supervision and engineering	55,543	0	55,543	55,361	0	55,361	182
591 Maintenance of structures	45,625	0	45,625	72,832	0	72,832	(27,207)
592 Maintenance of station equipment	327,455	0	327,455	235,932	0	235,932	91,523
593 Maintenance of overhead lines	1,051,920	0	1,051,920	848,971	0	848,971	202,949
594 Maintenance of underground lines	48,695	0	48,695	45,520	0	45,520	3,175
595 Maintenance of line transformers	91,293	0	91,293	59,384	0	59,384	31,909
596 Maintenance of street lighting and signal systems	92,317	0	92,317	101,482	0	101,482	(9,165)
<u>Total Distribution Expenses</u>	2,200,850	488,002	1,712,848	1,908,981	489,499	1,419,482	291,869
<u>Totals To Be Forwarded</u>	\$ 22,106,105	\$ 20,298,808	\$ 1,807,297	\$ 23,377,858	\$ 21,833,355	\$ 1,544,503	\$ (1,271,753)

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, 2020 AND 2019

OPERATING FUND

	<u>2020</u>			<u>2019</u>			Increase (Decrease)
	Total	Operation	Maintenance	Total	Operation	Maintenance	
<u>Total Forwarded</u>	\$ 22,106,105	\$ 20,298,808	\$ 1,807,297	\$ 23,377,858	\$ 21,833,355	\$ 1,544,503	\$ (1,271,753)
<u>Customer Account Expense:</u>							
902 Meter reading labor and expenses	42,553	42,553	0	56,948	56,948	0	(14,395)
903 Accounting and collecting labor and expenses	351,815	351,815	0	346,322	346,322	0	5,493
904 Uncollectible accounts	142,216	142,216	0	49,472	49,472	0	92,744
<u>Total Customer Account Expense</u>	536,584	536,584	0	452,742	452,742	0	83,842
<u>Sales Expenses:</u>							
912 Demonstrating and selling expense	231,407	231,407	0	200,963	200,963	0	30,444
<u>Administrative and General Expenses:</u>							
920 Administrative and general salaries	430,968	430,968	0	467,817	467,817	0	(36,849)
921 Office supplies and expense	108,791	108,791	0	154,377	154,377	0	(45,586)
923 Outside services employed	73,702	73,702	0	86,570	86,570	0	(12,868)
924 Property insurance	230,871	230,871	0	187,043	187,043	0	43,828
925 Injuries and damages	37,004	37,004	0	12,662	12,662	0	24,342
926 Employee pensions and benefits	444,148	444,148	0	369,201	369,201	0	74,947
930 Miscellaneous general expense	227,261	227,261	0	140,506	140,506	0	86,755
932 Maintenance of general plant	132,408	0	132,408	175,915	0	175,915	(43,507)
<u>Total Administrative and General Expenses</u>	1,685,153	1,552,745	132,408	1,594,091	1,418,176	175,915	91,062
<u>Total Operation and Maintenance Expenses</u>	<u>\$ 24,559,249</u>	<u>\$ 22,619,544</u>	<u>\$ 1,939,705</u>	<u>\$ 25,625,654</u>	<u>\$ 23,905,236</u>	<u>\$ 1,720,418</u>	<u>\$ (1,066,405)</u>

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