

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

Financial Statements  
December 31, 2023 and 2022

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – ELECTRIC  
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GOULET, SALVIDIO  
& ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

***Opinion***

We have audited the financial statements of Shrewsbury Electric and Cable Operations (SELCO) - Electric, as of and for the years ended as of December 31, 2023 and 2022, and the related notes to the financial statements, which comprise SELCO - Electric's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SELCO - Electric as of December 31, 2023 and 2022, 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.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SELCO - Electric and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

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

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### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### ***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, 2023 and 2022, and the changes in financial position, or, where applicable, 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits and Net Pension Liability information on pages four through eight and 40 through 43 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 that collectively comprise SELCO - Electric's basic financial statements. The Schedules of Electric Operating Revenues, Schedules of Operation and Maintenance Expenses and Schedules of Kilowatt Hours Sold on pages 44 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

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

Worcester, Massachusetts

May 14, 2024

## 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, 2023 and 2022. 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, 2023, it shows our net position increased \$1,898,188 compared to the year ended December 31, 2022.

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, 2023 and 2022 of \$2,767,870 and \$908,711, 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, 2023 and 2022.

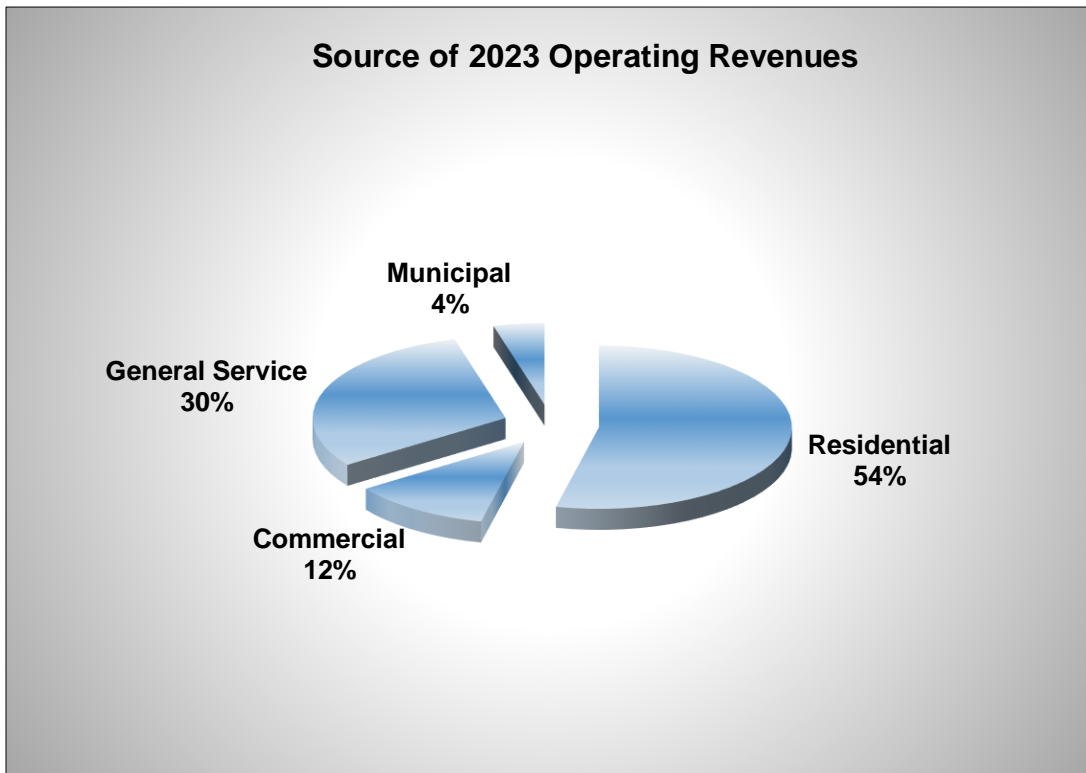
### Summary of Net Position

	2023	2022
Current Assets	\$ 21,243,094	\$ 16,460,201
Noncurrent Assets	55,627,553	62,947,586
Total Assets	76,870,647	79,407,787
Deferred Outflows of Resources	3,140,366	4,551,732
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 80,011,013</b>	<b>\$ 83,959,519</b>
Current Liabilities	\$ 4,977,004	\$ 4,359,019
Noncurrent Liabilities	7,835,929	9,325,673
Total Liabilities	12,812,933	13,684,692
Deferred Inflows of Resources	10,878,193	15,853,128
Net Position:		
Net Investment in Capital Assets	30,399,766	28,543,829
Net Position Restricted for Depreciation	7,368,111	7,343,308
Unrestricted Net Position	18,552,010	18,534,562
Total Net Position	56,319,887	54,421,699
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 80,011,013</b>	<b>\$ 83,959,519</b>

### Summary of Changes in Net Position

	<b>2023</b>	<b>2022</b>
Operating Revenues	\$ 43,594,952	\$ 34,645,312
Operating Expenses	40,715,656	33,440,248
Operating Income	2,879,296	1,205,064
Non-Operating Revenues (Expenses)	(111,426)	(296,353)
Income Before Contributions and Transfers	2,767,870	908,711
Transfer Out - Payment in Lieu of Taxes	(869,682)	(284,512)
Net Position, January 1	54,421,699	53,797,500
<b>Net Position, December 31</b>	<b>\$ 56,319,887</b>	<b>\$ 54,421,699</b>

**Financial Highlights:**



## **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 quarterly 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 September 1, 2023 the Generation and Transmission Adjustment (GTA) was set at \$0.0000 per kWh.

## **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 approximately 1% less than 2022.

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

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

### Net Plant Assets

Net plant assets increased by \$687,986 during 2023. This decrease is the difference between the current year additions of \$3,095,963, the annual depreciation (3%) expense of \$2,407,977.

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 2023 was \$8,872,012. 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 \$3,300,000 at December 31, 2023.

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, 2023 was \$1,525,179.



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

### 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 \$4,046,833 at December 31, 2023.

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 did not transfer in or out of the Construction Fund during 2023. This money was set aside as a reserve to aide in the payment for the 2023 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 2023 the Fund earned \$24,803 of interest income.

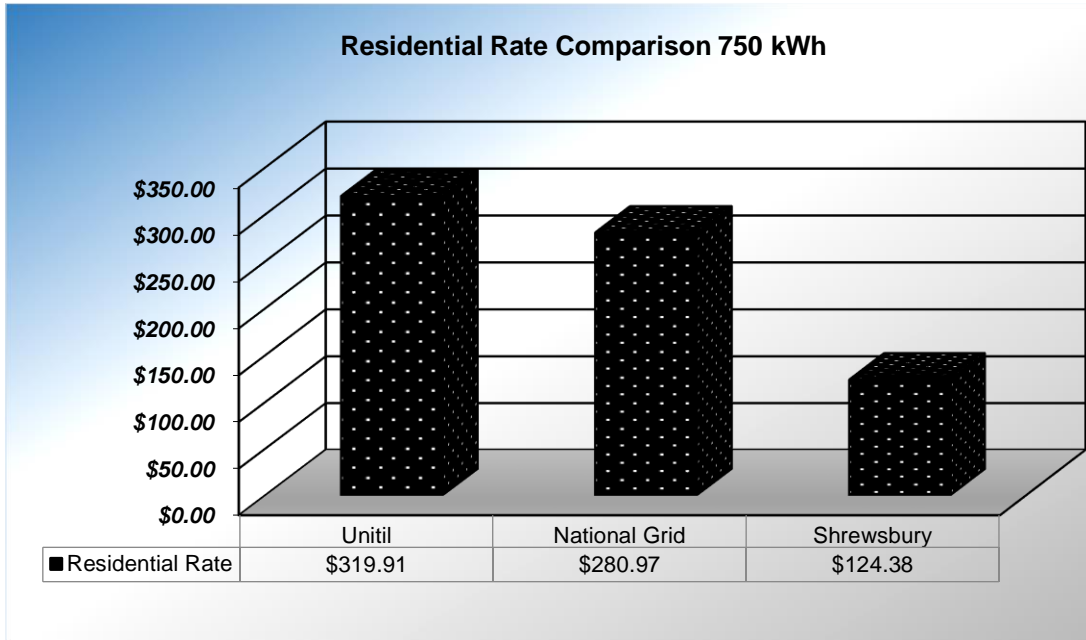
#### Customer Accounts Receivable

Customer Accounts Receivable is reported net of the Allowance for Doubtful Accounts. During 2023, the Allowance for Doubtful Accounts was increased to \$300,000. Increases and decreases to the Allowance are offset to Bad Debt Expense.

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

Rates

On average, during 2023, a SELCO - Electric residential customer, using 750 kWh per month, paid \$124.38 per month while a Until residential customer paid \$319.91 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, 2023 AND 2022

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	\$ 10,076,510	\$ 6,132,507
Accounts Receivable Customers, Net	2,882,894	2,666,262
Other Receivables	1,113,863	1,177,143
Materials and Supplies	540,477	275,547
Energy Conservation Loans Receivable, Current Portion	4,191	16,457
Purchased Power Working Capital	6,370,856	6,048,061
Prepayments	254,303	144,224
	21,243,094	16,460,201
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	7,368,111	7,343,308
Construction Fund	1,897,290	1,897,290
Power Cost Adjustment Fund	1,500,000	1,500,000
Pooled Financing Reserve	804,294	840,539
Rate Stabilization Fund	3,722,190	3,551,553
Energy Conservation Loans Receivable, Net of Current Portion	134,830	6,690
Preliminary Survey Investment	1,111,742	1,104,792
Investments in Associated Companies	61,521	61,521
Net Pension Asset	488,706	8,791,010
Plant Assets, Net	38,538,869	37,850,883
	55,627,553	62,947,586
TOTAL NONCURRENT ASSETS		
TOTAL ASSETS	76,870,647	79,407,787
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to OPEB	462,019	643,772
Deferred Outflows of Resources Related to Pensions	2,678,347	3,907,960
	3,140,366	4,551,732
TOTAL DEFERRED OUTFLOWS OF RESOURCES		
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 80,011,013	\$ 83,959,519

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2023 AND 2022

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 2,831,380	\$ 2,477,158
Accrued Expenses	919,714	684,409
Bonds Payable, Current Portion	300,000	300,000
Pooled Financing Loan, Current Portion	925,910	897,452
	4,977,004	4,359,019
<b>NONCURRENT LIABILITIES:</b>		
Bonds Payable, Net of Current Portion	3,000,000	3,300,000
Unamortized Debt Premium	71,385	78,130
Pooled Financing Loan, Net of Current Portion	4,646,102	5,572,011
Net OPEB Liability	118,442	375,532
	7,835,929	9,325,673
<b>TOTAL LIABILITIES</b>	<b>12,812,933</b>	<b>13,684,692</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Contribution in Aid of Construction, Net	1,676,139	1,585,777
Rate Stabilization Reserve	8,268,127	4,097,490
Deferred Inflow of Resources Related to OPEB	631,898	763,429
Deferred Inflow of Resources Related to Pensions	302,029	9,406,432
	10,878,193	15,853,128
<b>NET POSITION:</b>		
Net Investment in Capital Assets	30,399,766	28,543,829
Net Position Restricted for Depreciation	7,368,111	7,343,308
Unrestricted Net Position	18,552,010	18,534,562
	56,319,887	54,421,699
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 80,011,013</b>	<b>\$ 83,959,519</b>

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, 2023 AND 2022

OPERATING FUND

	2023	2022
OPERATING REVENUES:		
Sales of Electricity	\$ 43,333,166	\$ 34,418,753
Other Operating Revenues	261,786	226,559
	43,594,952	34,645,312
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	36,237,912	28,915,804
Maintenance	2,121,890	1,994,456
Depreciation, Net of Amortization	2,355,854	2,529,988
	40,715,656	33,440,248
TOTAL OPERATING EXPENSES		
OPERATING INCOME	2,879,296	1,205,064
NONOPERATING REVENUES (EXPENSES):		
Interest Expense	(301,702)	(336,785)
Investment Income	154,011	33,687
Grant Income	29,520	0
Amortization of Premium on Debt	6,745	6,745
	(111,426)	(296,353)
TOTAL NONOPERATING REVENUES (EXPENSES)		
Income Before Contributions and Transfers	2,767,870	908,711
NET POSITION - JANUARY 1	54,421,699	53,797,500
Transfers Out - Payment in Lieu of Taxes	(869,682)	(284,512)
NET POSITION - DECEMBER 31	\$ 56,319,887	\$ 54,421,699

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, 2023 AND 2022

OPERATING FUND

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 43,441,600	\$ 33,928,255
Cash Paid to Suppliers	(29,197,334)	(33,244,892)
Cash Paid to Employees	(4,415,369)	(3,434,045)
Cash Paid for Benefits	(509,715)	(461,100)
Payment in Lieu of Taxes	(869,682)	(284,512)
Net Cash Provided (Used) by Operating Activities	8,449,500	(3,496,294)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to Plant Assets	(3,088,463)	(1,630,618)
Contribution in Aid of Construction	142,485	213,485
Transfers to Depreciation Fund	0	(2,519,948)
Grant Income	22,020	0
Repayment of Pooled Financing Principle	(861,206)	(785,556)
Repayments of Bond Principle	(300,000)	(300,000)
Payment of Bond and Pooled Financing Interest	(305,139)	(340,222)
Net Cash Used by Capital and Related Financing Activities	(4,390,303)	(5,362,859)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividend Income	680	146
Payments to Customers for Energy Conservation Loans	(139,065)	(13,500)
Payments from Customers for Energy Conservation Loans	23,191	13,543
Net Cash Provided (Used) by Investing Activities	(115,194)	189
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,944,003	(8,858,964)
<b>CASH AND CASH EQUIVALENTS - JANUARY 1</b>	9,529,797	18,388,761
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31</b>	\$ 13,473,800	\$ 9,529,797

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, 2023 AND 2022

OPERATING FUND

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 2,879,296	\$ 1,205,064
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,407,977	2,566,580
Allowance for Doubtful Accounts	50,000	0
Amortization of Contribution in Aid of Construction	(52,123)	(36,592)
Rate Stabilization Reserve	4,000,000	0
Payment in Lieu of Taxes	(869,682)	(284,512)
Pension Expense (Income)	427,514	(2,157,911)
Other Postemployment Benefits Expense	63,787	104,195
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(266,632)	(789,563)
Other Accounts Receivable	63,280	72,506
Materials and Supplies	(264,930)	(144,917)
Purchased Power Working Capital	(194,267)	(4,585,780)
Prepayments	(110,079)	219,093
Preliminary Survey Investment	(6,950)	(7,550)
Increase (Decrease) in Liabilities:		
Accounts Payable	354,222	983,447
Other Postemployment Benefits Obligations	(270,655)	(263,892)
Accrued Expenses	238,742	(376,462)
Net Cash Provided (Used) by Operating Activities	\$ 8,449,500	\$ (3,496,294)

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.

	2023	2022
Operating Fund	\$ 10,076,510	\$ 6,132,507
Construction Fund	1,897,290	1,897,290
Power Cost Adjustment Fund	1,500,000	1,500,000
	\$ 13,473,800	\$ 9,529,797

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, 2023 AND 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2023	2022
ASSETS		
Funds on Deposit with Town Treasurer		
Investments	\$ 2,527,570	\$ 2,099,938
NET POSITION		
FIDUCIARY NET POSITION - Restricted	\$ 2,527,570	\$ 2,099,938

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SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2023	2022
Contributions	\$ 113,600	\$ 113,600
Net Investment Income (Loss)	314,032	(387,517)
CHANGES IN FIDUCIARY NET POSITION	427,632	(273,917)
FIDUCIARY NET POSITION - January 1,	2,099,938	2,373,855
FIDUCIARY NET POSITION - December 31,	\$ 2,527,570	\$ 2,099,938

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, 2023 AND 2022

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 2023 and 2022.

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 and are stated 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 December 31, 2024.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2023 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.

During 2023, SELCO - Electric had one non-cash transaction relating to grant income for electric plant assets in the amount of \$7,500.

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, 2023 and 2022 were \$153,465 and \$155,614, 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 \$300,000 and \$250,000 for 2023 and 2022, 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.

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.

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

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 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.

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.

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NOTE 3 – FUNDS HELD AT MMWEC:

Purchased Power Working Capital

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), the Lighting Plant's power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC participants approved certain working capital amendments to the various power purchase agreements. 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, 2023 and 2022 was \$6,370,856 and \$6,048,061, respectively. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2023 and 2022 was \$36,000,684 and \$38,085,022, respectively, of which SELCO - Electric's ownership was approximately 17.7% and 15.9%, 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, 2023 and 2022 was \$167,916. These funds are commingled and deposited in investment pools. The total amount of these investment pools as of December 31, 2023 and 2022 was \$3,739,038 and \$4,194,507, respectively, of which SELCO - Electric's ownership was approximately 4.5% and 4.0%, 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, 2023 and 2022 was \$3,722,190 and \$3,551,553, respectively. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provision of rate refund.

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, 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:

Level 1

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

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NOTE 3 – FUNDS HELD AT MMWEC (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.

- Level 1 - U.S. Government Securities:  
Valued at closing price as reported on the active market on which the individual securities are traded.
- Level 2- Municipal Bonds and U.S. Government Securities:  
Investments in debt securities are valued using interest rate curves and credit spreads applied to the terms of the debt instrument along with counterparty credit rating.

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'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 table on the following page sets forth, by level within the fair value hierarchy, SELCO - Electric's rate stabilization investments at fair value at December 31, 2023 and 2022. As of December 31, 2023 and 2022, SELCO - Electric did not have any investments that were measured using Level 3 inputs.

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NOTE 3 – FUNDS HELD AT MMWEC (Continued):

Rate Stabilization Fund (continued)

<u>December 31, 2023</u>			
<u>Description</u>	<u>Level 1 Fair Value</u>	<u>Level 2 Fair Value</u>	<u>Total</u>
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 66,655	\$ 66,655
AA	0	134,378	134,378
AA-	0	154,978	154,978
A+	0	39,511	39,511
Not Rated	0	13,240	13,240
US Government Securities	<u>492,394</u>	<u>2,799,779</u>	<u>3,292,173</u>
Total FMV Investments	<u>492,394</u>	<u>3,208,541</u>	<u>3,700,935</u>
<u>Other Securities</u>			
Money Market	<u>21,255</u>	<u>0</u>	<u>21,255</u>
Total	<u>\$ 513,649</u>	<u>\$ 3,208,541</u>	<u>\$ 3,722,190</u>
<u>December 31, 2022</u>			
<u>Description</u>	<u>Level 1 Fair Value</u>	<u>Level 2 Fair Value</u>	<u>Total</u>
<u>FMV Investments:</u>			
Municipal Bonds			
AAA	\$ 0	\$ 74,516	\$ 74,516
AA	0	242,428	242,428
AA-	0	147,240	147,240
A+	0	36,607	36,607
US Government Securities	<u>833,116</u>	<u>1,813,713</u>	<u>1,813,713</u>
Total FMV Investments	<u>833,116</u>	<u>2,314,504</u>	<u>3,197,620</u>
<u>Other Securities</u>			
Money Market	<u>353,933</u>	<u>0</u>	<u>353,933</u>
Total	<u>\$ 1,237,049</u>	<u>\$ 2,314,504</u>	<u>\$ 3,551,553</u>

As of December 31, 2023, investments no one issuer (other than U.S. Treasury securities and mutual funds) represented 5% or more of total investments.

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

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NOTE 4 – CONCENTRATION OF CREDIT RISK (Continued):

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>2023</u>	<u>2022</u>
Accounts Receivable Customers	\$ 3,182,894	\$ 2,916,262
Allowance for Doubtful Accounts	<u>(300,000)</u>	<u>(250,000)</u>
Accounts Receivable Customers, Net	<u>\$ 2,882,894</u>	<u>\$ 2,666,262</u>

NOTE 6 – OTHER RECEIVABLES:

	<u>2023</u>	<u>2022</u>
Due from Town Departments	\$ 18,290	\$ 62,499
Solar Renewable Energy Credits	991,484	983,544
SELCO - Cable	0	92,987
Liens	0	6,102
Merchandise & Jobbing Receivable	79,733	32,011
Mutual Aid	<u>24,356</u>	<u>0</u>
Total Other Receivables	<u>\$ 1,113,863</u>	<u>\$ 1,177,143</u>

NOTE 7 – ENERGY CONSERVATION LOANS:

SELCO - Electric offers 0% interest energy efficiency loans for residential customers. Loans are available for added insulation as well as replacement windows and doors. The maximum loan amount is \$13,500 with a maximum repayment period of sixty months. At December 31, 2023, SELCO - Electric had 22 Energy Conservations Loans Receivable totaling \$139,021. At December 31, 2022, SELCO - Electric had 9 Energy Conservations Loans Receivable totaling \$23,147.

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 – NET INVESTMENT IN CAPITAL ASSETS:

	2023	2022
Cost of Capital Assets Acquired	\$ 89,857,669	\$ 87,977,365
Less: Accumulated Depreciation	(51,318,800)	(50,126,482)
Less: Debt and Premiums Related to Capital Assets	(8,943,396)	(10,147,593)
Add: Pooled Financing Reserve	804,293	840,539
Net Investment in Capital Assets	\$ 30,399,766	\$ 28,543,829

NOTE 10 – PLANT ASSETS:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 403,497	\$ 0	\$ 0	\$ 403,497
Construction in Progress	759,038	2,440,273	(2,725,720)	473,591
Total	1,162,535	2,440,273	(2,725,720)	877,088
Capital Assets Being Depreciated:				
Production Plant	16,589,411	0	0	16,589,411
Transmission Plant	2,040,429	0	0	2,040,429
Distribution Plant	54,993,792	2,825,139	(417,638)	57,401,293
General Plant	13,191,198	556,271	(798,021)	12,949,448
Total Capital Assets Being Depreciated	86,814,830	3,381,410	(1,215,659)	88,980,581
Less Accumulated Depreciation for:				
Production Plant	(5,229,606)	(452,491)	0	(5,682,097)
Transmission Plant	(418,179)	(61,213)	0	(479,392)
Distribution Plant	(32,768,315)	(1,666,820)	417,638	(34,017,497)
General Plant	(11,710,382)	(227,453)	798,021	(11,139,814)
Total Accumulated Depreciation	(50,126,482)	(2,407,977)	1,215,659	(51,318,800)
Capital Assets Being Depreciated, Net	36,688,348	973,433	0	37,661,781
Utility Plant Assets, Net	\$ 37,850,883	\$ 3,413,706	\$ (2,725,720)	\$ 38,538,869

Depreciation expense for the years ended December 31, 2023 and 2022 was \$2,407,977 and \$2,566,580, respectively. Depreciation expense reported on the Statements of Revenues, Expenses and Changes in Net Position is net of amortization of \$52,123 and \$36,592 related to contribution in aid of construction for the years ended December 31, 2023 and 2022, respectively.

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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, 2023 and 2022 was \$5,572,012 and \$6,469,463, respectively. Total interest expense relating to this loan was \$189,789 and \$217,372 for the years ended December 31, 2023 and 2022, respectively.

	2023	2022
Note Payable for Peaking Pooled Loan with MMWEC payable in monthly installments Including a fixed interest rate of 3.20%. Due March 2031.	\$ 1,525,178	\$ 1,711,544
Note Payable for Solar Facility Loan with MMWEC payable in monthly installments Including a fixed interest rate of 3.11%. Due March 2029.	4,046,834	4,757,919
Total	5,572,012	6,469,463
Less: Current Maturities	(925,910)	(897,452)
Long-Term Notes Payable, Less Current Portion	\$ 4,646,102	\$ 5,572,011

Maturities of the note payable are shown as follows:

2024	\$	925,910
2025		955,270
2026		985,561
2027		1,016,813
2028		1,049,057
2029-2031		639,401
Total	\$	5,572,012

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, 2023 and 2022 was \$804,294 and \$840,539, respectively.

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NOTE 12 – LONG TERM DEBT:

General Obligation Bond

	2023	2022
\$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%.	\$ 3,300,000	\$ 3,600,000
Less: Current Portion of Bond Payable	(300,000)	(300,000)
Long-Term Bond Payable, Less Current Portion	\$ 3,000,000	\$ 3,300,000

Maturities of Long-Term Debt are shown as follows:

		Principal	Interest	Total
For Years Ending December 31,	2024	\$ 300,000	\$ 107,100	\$ 407,100
	2025	300,000	98,100	398,100
	2026	300,000	88,500	388,500
	2027	300,000	78,300	378,300
	2028	300,000	68,100	368,100
	2029-2033	1,500,000	187,500	1,687,500
	2034	300,000	6,000	306,000
	Total	\$ 3,300,000	\$ 633,600	\$ 3,933,600

Interest expense relating to this bond was \$111,913 and \$119,412 for the years ending December 31, 2023 and 2022, 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, 2023 and 2022 were zero.

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NOTE 13 – PENSION PLAN (Continued):

Pension Asset

At December 31, 2023 and 2022, SELCO - Electric reported an asset of \$488,706 and \$8,791,010, respectively for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2022 and 2021, respectively, and the total pension asset used to calculate the pension asset was determined by an actuarial valuation as of January 1, 2023 and January 1, 2022, respectively. SELCO - Electric's portion of the net pension asset 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, 2022 and 2021. SELCO - Electric's portion of the net pension asset was based on the percentage of SELCO - Electric's contributions to the total System contributions as of the measured date of December 31, 2022 and 2021. At the measured date of December 31, 2022 and 2021, SELCO - Electric's portion was -2.66% of the System's net pension liability and 32.31% of the System's net pension asset, respectively.

Pension Expense (Income)

For the years ended December 31, 2023 and 2022, SELCO - Electric recognized pension expense (income) of \$427,514 and (\$2,157,911) respectively. For the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Differences between expected and actual experience	\$ (387,119)	\$ 1,714,320
Net difference between projected and actual earnings on pension plan investments	(702,022)	847,050
Changes in assumptions	(46,670)	1,011,632
Changes in proportion and differences between employer contributions and SELCO - Electric proportionate share	<u>3,814,158</u>	<u>334,958</u>
Total	<u>\$ 2,678,347</u>	<u>\$ 3,907,960</u>

<u>Deferred Inflows of Resources Related to Pension</u>	<u>2023</u>	<u>2022</u>
Differences between expected and actual experience	\$ (36,920)	\$ 655,042
Net difference between projected and actual earnings on pension plan investments	(425,692)	7,586,914
Changes in proportion and differences between employer contributions and SELCO - Electric proportionate share	<u>764,642</u>	<u>1,164,476</u>
Total	<u>\$ 302,030</u>	<u>\$ 9,406,432</u>

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NOTE 13 – PENSION PLAN (Continued):

Pension Expense (Income) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension that 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:

2024	\$	514,915
2025		512,907
2026		762,887
2027		<u>585,608</u>
	\$	<u>2,376,317</u>

Actuarial Assumptions

The total pension liability as of December 31, 2023 was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2023
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	5.0% on the first \$14,000 of pension benefits.
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, 2022 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%	9.0%
Medium Capital	10.0%	10.3%
Small Capital	8.0%	9.4%
International Equities	10.0%	6.4%
Emerging Market Equities	6.0%	9.4%
Real Assets	15.0%	6.2%
Core Fixed Income	11.0%	0.7%
High Yield Fixed Income	11.0%	5.3%
Private Equity	5.5%	13.9%
Hedge Funds	6.5%	1.3%
Timberlands	2.0%	4.6%
	<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 Asset to Changes in the Discount Rate

The following presents the net pension asset calculated using the discount rate of 7.5%, as well as what the net pension asset 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 <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Proportionate share of the Net Pension Asset	\$ 991,828	\$ 488,706	\$ 63,717

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. As of December 31, 2023 and 2022, the amounts due from SELCO - Cable were zero and \$92,987, respectively.

In 2023 and 2022, SELCO - Electric paid the Town amounts of \$2,303,165 and \$1,640,938, respectively. The amounts in both years were related to health insurance premiums, employer retirement contribution, Medicare payments, payments in lieu of taxes, police detail, utilities, and payments for fuel used by SELCO - Electric's fleet of vehicles.

At December 31, 2023 and 2022, the outstanding balances payable to the Town were \$178,712 and \$178,473, respectively.

In 2023 and 2022, SELCO - Electric billed the Town for municipal electric service in the amounts of \$1,391,002 and \$1,371,175, respectively. The outstanding electric customer receivable balances due from the Town at December 31, 2023 and 2022 were \$138,169 and \$124,859, 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 \$869,682 and \$284,512 for the years ended December 31, 2023 and 2022, respectively.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS 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, 2023 and 2022 was \$2,527,570 and \$2,099,938, 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.



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

Level 1

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

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

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

The table on the following page sets forth, by level within the fair value hierarchy, SELCO - Electric's OPEB Trust Fund investments at fair value at December 31, 2023 and 2022. As of December 31, 2023 and 2022, SELCO - Electric OPEB Trust Fund did not have any investments that were measured using Level 2 or Level 3 inputs.

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

Description	December 31, 2023 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2022 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>Investments at FMV:</u>		
Mutual Funds	\$ 2,515,911	\$ 2,089,571
<u>Other Securities:</u>		
Money Market	11,659	10,367
Total	\$ 2,527,570	\$ 2,099,938

As of December 31, 2023 and 2022, 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 the measured date of June 30, 2023, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	36
Active plan members	39
	75

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.

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

Rate of Return

For the measured dates of June 30, 2023 and 2022, 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 the measured date of June 30, 2023 and 2022, were as follows:

	2023	2022
Total OPEB Liability	\$ 2,522,661	\$ 2,439,691
Fiduciary Net Position	(2,404,219)	(2,064,159)
Net OPEB Liability	\$ 118,442	\$ 375,532

Fiduciary net position as a percentage of the total OPEB liability was 95.30% and 84.61% as of the measured date of June 30, 2023 and 2022, respectively.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, 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 2022 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 table on the following page 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:

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net OPEB Liability	\$ 136,441	\$ 118,442	\$ 103,600

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
	<u>3.5%</u>	<u>4.5%</u>	<u>5.5%</u>
Net OPEB Liability	\$ 100,694	\$ 118,442	\$ 140,533

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS LIABILITY (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, 2023, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	36
Active plan members	<u>39</u>
Total Number of Participants	<u><u>75</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, 2023 and 2022 and the measurement dates of June 30, 2023 and 2022, respectively, total premiums plus implicit costs for the retiree medical program were \$143,423 and \$137,247, respectively.

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

Net OPEB Liabilities

At December 31, 2023 and 2022, SELCO - Electric reported a liability of \$118,442 and \$375,532, respectively, for its net OPEB liability. The 2023 and 2022 net OPEB liability was measured as of June 30, 2023 and June 30, 2022, respectively, and was determined by an actuarial valuation as of July 1, 2022.

OPEB Expense

For the years ended December 31, 2023 and 2022, SELCO - Electric recognized OPEB expense of \$63,787 and \$104,195, respectively. At December 31, 2023 and 2022, SELCO - Electric reported deferred outflows of resources and deferred inflows of resources related to OPEB from sources below:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2023</u>	<u>2022</u>
Changes of assumptions	\$ 63,805	\$ 92,358
Differences between expected and actual experience	64,031	89,954
Net difference between projected and actual earnings on OPEB plan investments	<u>334,183</u>	<u>461,460</u>
	<u>\$ 462,019</u>	<u>\$ 643,772</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2023</u>	<u>2022</u>
Differences between expected and actual experience	\$ 465,698	\$ 595,087
Net difference between projected and actual earnings on OPEB plan investments	<u>166,200</u>	<u>168,342</u>
	<u>\$ 631,898</u>	<u>\$ 763,429</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:		
2024	\$	174,148	2024	\$	186,828
2025		157,427	2025		170,032
2026		130,444	2026		113,918
2027		0	2027		113,918
2028		<u>0</u>	2028		<u>47,202</u>
Total	\$	<u>462,019</u>	Total	\$	<u>631,898</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.

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NOTE 18 – 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, 2023 and 2022, SELCO - Electric considers its' pro rata share of these losses to be immaterial to its financial statements.

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

Legal and Environmental Matters

SELCO - Electric is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the siting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the SELCO - Electric's operations in the past and they will continue to have an impact on future operations, capital costs and construction.

Power Sales Agreements

The Town of Shrewsbury acting through its Light Department 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.

The Light Department is also a Participant in MMWEC Project 2015A, a capacity reliability resource in Peabody, Massachusetts. Project 2015A is under construction as of December 31, 2023. As of December 31, 2023, the Light Department has contributed \$1,249,668 for design and construction costs for Project 2015A.

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). The Light Department has entered into PSAs

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NOTE 19 – COMMITMENTS AND CONTINGENCIES (Continued):

Power Sales Agreements (continued)

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 Projects are completed or operating and notwithstanding the suspension or interruption of the output of the Projects.

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which are funded through monthly Project billings, as needed. 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.

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), and amount of required debt service payments (if applicable) under the PSAs associated with the Department’s Project Capability of the Projects in which it participates for the years ended December 31, 2023 and 2022, respectively are listed in the tables below.

<u>Projects</u>	<u>Percentage Share</u>	<u>Total Capital Expenditures 2023</u>	<u>Capacity, Fuel and Transmission Billed 2023</u>	<u>Capacity, Fuel and Transmission Billed 2022</u>
Stony Brook Int.	4.3088%	\$ 7,906,909	\$ 666,631	\$ 993,042
Nuclear Mix 1-SBK	4.5828%	477,001	22,166	21,975
Nuclear Mix 1-MLS	4.5828%	2,955,835	262,216	272,274
Nuclear Project 3-MLS	4.9706%	7,750,626	564,087	586,859
Nuclear Project 4-SBK	4.9160%	15,109,786	624,519	620,378
Nuclear Project 5-SBK	2.3960%	1,991,534	78,793	78,404
Project No. 6-SBK	5.4796%	31,112,745	967,146	961,199
Project 2015A- Capacity	12.799%	<u>9,321,118</u>	<u>52,900</u>	<u>0</u>
		<u>\$ 76,625,554</u>	<u>\$ 3,238,458</u>	<u>\$ 3,534,131</u>

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NOTE 19 – COMMITMENTS AND CONTINGENCIES (Continued):

Power Sales Agreements (continued)

Years Ended	Total Project 2015A Debt Service Share 14.90%
2024	\$ 548,264
2025	547,299
2026	546,718
2027	546,599
2028	545,906
2029-2033	2,723,869
2034-2038	2,723,664
2039-2043	2,717,224
2044-2048	2,710,310
2049-2051	1,621,284
Total	\$ 15,231,137

Other Power Supply:

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

Under the terms of the Service Agreement, 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,	2024	3,287,071
	2025	561,715
	TOTAL	\$ 3,848,786

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,



TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – ELECTRIC  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

NOTE 19 – COMMITMENTS AND CONTINGENCIES (Continued):

Berkshire Wind Cooperative Corporation (continued)

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.

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, 2023 and 2022, respectively are listed in the table below.

Phase	Percentage Share	Total Capital Expenditures 2023	Debt Service Billed 2023	Debt Service Billed 2022	Operations and Maintenance Billed 2023	Operations and Maintenance Billed 2022
Berkshire Phase 1	12.718%	\$ 7,036,677	\$ 615,885	\$ 615,551	\$ 278,739	\$ 272,378

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.

	2024	Total Phase 1 Debt Service
For years ended December 31,	2024	\$ 616,282
	2025	615,360
	2026	615,933
	2027	615,965
	2028	615,424
	2029 to 2033	<u>1,231,166</u>
	TOTAL	<u>\$ 4,310,130</u>

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

OPERATING FUND

For the Year Ending December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2022	1/1/2022	1/1/2020	1/1/2020	1/1/2018	1/1/2018	1/1/2017	1/1/2016	1/1/2015
Measurement Date	12/31/2022	12/31/2021	12/31/2020	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	-2.66%	32.31%	45.37%	0.00%	3.84%	5.69%	1.96%	5.84%	13.46%
SELCO - Electric's Proportionate Share of the NPL	\$ (488,706)	\$ (8,791,009)	\$ (5,486,163)	\$ 0	\$ 425,363	\$ 240,794	\$ 369,825	\$ 1,219,554	\$ 2,898,886
SELCO - Electric's Total Employee Payroll	\$ 4,415,368	\$ 3,434,049	\$ 3,881,733	\$ 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	-11.07%	-256.00%	-141.33%	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	89.40%	117.60%	108.20%	97.90%	91.68%	96.73%	77.10%	82.46%	81.86%
<b>Schedule of Contributions:</b>									
Actuarially Determined Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 241,952	\$ 356,162	\$ 647,207	\$ 621,636	\$ 739,045
Contributions in Relation to the Actuarially Determined Contribution	0	0	0	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>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SELCO - Electric's Total Employee Payroll	\$ 4,415,368	\$ 3,434,049	\$ 3,881,733	\$ 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%	0.00%	0.00%	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.

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

OPERATING FUND & OPEB TRUST FUND

	2023	2022	2021	2020	2019	2018	(Town Wide) 2017
<b>Total OPEB Liability:</b>							
Service Cost	\$ 58,448	\$ 53,998	\$ 51,673	\$ 44,513	\$ 42,596	\$ 40,763	\$ 1,543,475
Interest	181,577	220,880	212,893	183,322	178,124	183,747	3,438,194
Experience (Gain) and Loss	0	(649,752)	0	167,723	0	(190,580)	0
Changes of Assumptions	0	0	0	161,725	0	23,405	0
Benefit Payments	(157,055)	(150,292)	(170,154)	(170,154)	(137,136)	(131,231)	(2,304,138)
Net Change in Total OPEB Liability	<u>82,970</u>	<u>(525,166)</u>	<u>94,412</u>	<u>387,129</u>	<u>83,584</u>	<u>(73,896)</u>	<u>2,677,531</u>
Total OPEB Liability - Beginning	2,439,691	2,964,857	2,870,445	2,483,316	2,399,732	2,473,628	45,430,360
Total OPEB Liability - Ending	<u>\$ 2,522,661</u>	<u>\$ 2,439,691</u>	<u>\$ 2,964,857</u>	<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	\$ 257,023	\$ 364,447	\$ 156,000	\$ 373,700	\$ 138,179	\$ 142,137	\$ 2,391,572
Net Investment Income	226,460	(359,446)	414,233	48,442	76,987	70,402	132,319
Benefit Payments	(143,423)	(137,247)	(156,000)	(156,000)	(128,679)	(123,137)	(2,059,702)
Net Change in Plan Fiduciary Net Position	<u>340,060</u>	<u>(132,246)</u>	<u>414,233</u>	<u>266,142</u>	<u>86,487</u>	<u>89,402</u>	<u>464,189</u>
Plan Fiduciary Net Position - Beginning	2,064,159	2,196,405	1,782,172	1,516,030	1,429,543	1,340,141	2,828,262
Plan Fiduciary Net Position - Ending	<u>\$ 2,404,219</u>	<u>\$ 2,064,159</u>	<u>\$ 2,196,405</u>	<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>\$ 118,442</u>	<u>\$ 375,532</u>	<u>\$ 768,452</u>	<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						(Town Wide)
	2023	2022	2021	2020	2019	2018	2017
<b>Schedules of Net OPEB Liability:</b>							
Total OPEB Liability	\$ 2,522,661	\$ 2,439,691	\$ 2,964,857	\$ 2,870,445	\$ 2,954,029	\$ 2,483,316	\$ 2,399,732
Plan Fiduciary Net Position	2,404,219	2,064,159	2,196,405	1,782,172	1,868,659	1,516,030	1,429,543
Net OPEB Liability	<u>\$ 118,442</u>	<u>\$ 375,532</u>	<u>\$ 768,452</u>	<u>\$ 1,088,273</u>	<u>\$ 1,085,370</u>	<u>\$ 967,286</u>	<u>\$ 970,189</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	95.30%	84.61%	74.08%	62.09%	63.26%	61.05%	59.57%
Covered Payroll	\$ 3,951,981	\$ 3,818,339	\$ 3,490,934	\$ 3,372,883	\$ 3,367,051	\$ 3,253,189	\$ 67,279,575
Net OPEB Liability as a Percentage of Covered Payroll	3.00%	9.83%	22.01%	32.27%	32.24%	29.73%	1.44%
<b>Schedules of Employer Contributions:</b>							
Actuarially Determined Contributions	\$ 65,644	\$ 74,565	\$ 93,759	\$ 248,385	\$ 226,895	\$ 217,963	\$ 2,391,572
Contributions in relation to the actuarially determined contribution	<u>(143,423)</u>	<u>(137,247)</u>	<u>(156,000)</u>	<u>(373,700)</u>	<u>(138,179)</u>	<u>(142,137)</u>	<u>(2,636,008)</u>
Contribution Deficiency (Excess)	<u>\$ (77,779)</u>	<u>\$ (62,682)</u>	<u>\$ (62,241)</u>	<u>\$ (125,315)</u>	<u>\$ 88,716</u>	<u>\$ 75,826</u>	<u>\$ (244,436)</u>
Covered Payroll	\$ 3,951,981	\$ 3,818,339	\$ 3,490,934	\$ 3,372,883	\$ 3,367,051	\$ 3,253,189	\$ 67,279,575
Contributions as a percentage of covered payroll	3.63%	3.59%	4.47%	11.08%	4.10%	4.37%	3.92%
<b>Schedules of Investment Returns:</b>							
Annual Money-Weighted rate of Return, net of investment expenses	Not Provided	Not Provided	Not Provided	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.

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:

The cost of living adjustment was changed from 3% on the first \$12,000 of pension benefits as of the measurement date of December 31, 2021 to 5% on the first \$14,000 of pension benefits as of the measurement date of December 31, 2022.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF ELECTRIC OPERATING REVENUES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	2023	2022	Increase (Decrease)
SALES OF ELECTRICITY			
SALES TO PRIVATE CUSTOMERS:			
Residential Sales	\$ 22,834,674	\$ 18,414,651	\$ 4,420,023
Commercial Sales	5,182,565	3,962,406	1,220,159
General Service Sales	13,790,420	10,448,559	3,341,861
Green Power Sales	7,670	8,093	(423)
Private Lighting	130,356	125,629	4,727
	41,945,685	32,959,338	8,986,347
TOTAL PRIVATE CUSTOMERS			
MUNICIPAL SALES:			
Street Lighting	112,701	98,401	14,300
Lighting Municipal Buildings	1,274,780	1,361,014	(86,234)
	1,387,481	1,459,415	(71,934)
TOTAL MUNICIPAL SALES			
TOTAL SALES OF ELECTRICITY	43,333,166	34,418,753	8,914,413
OTHER ELECTRIC REVENUES			
	261,786	226,559	35,227
TOTAL OPERATING REVENUE			
	\$ 43,594,952	\$ 34,645,312	\$ 8,949,640

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF KILOWATT HOURS SOLD  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Kilowatt Hours Sold:			
Private Consumers:			
Residential	134,934,304	137,976,053	(3,041,749)
Commercial	31,859,988	30,395,230	1,464,758
General Service Sales	96,121,091	93,414,208	2,706,883
Private Lighting	1,294,903	1,386,592	(91,689)
Municipal Use:			
Street Lighting	959,579	961,555	(1,976)
Government	<u>8,395,747</u>	<u>11,570,807</u>	<u>(3,175,060)</u>
Total Kilowatt Hours Sold	273,565,612	275,704,445	(2,138,833)
Kilowatt Hours Used by Department:			
In Plant and Offices	<u>1,241,232</u>	<u>1,309,379</u>	<u>(68,147)</u>
Total Kilowatt Hours Accounted For	<u><u>274,806,844</u></u>	<u><u>277,013,824</u></u>	<u><u>(2,206,980)</u></u>
Total Kilowatt Hours Generated	5,573,291	6,341,528	(768,237)
Total Kilowatt Hours Purchased	<u>280,197,763</u>	<u>283,933,970</u>	<u>(3,736,207)</u>
Total Kilowatt Hours Generated and Purchased	<u><u>285,771,054</u></u>	<u><u>290,275,498</u></u>	<u><u>(4,504,444)</u></u>
Total Kilowatt Hours Unaccounted For	<u><u>10,964,210</u></u>	<u><u>13,261,674</u></u>	<u><u>(2,297,464)</u></u>
Ratio of Unaccounted For Kilowatt Hours (%)	<u>3.84%</u>	<u>4.57%</u>	

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - ELECTRIC  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

OPERATING FUND

	<u>2023</u>			<u>2022</u>			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Power Generation Expenses:</u>							
547 Fuel	\$ 104,828	\$ 104,828	\$ 0	\$ 172,658	\$ 172,658	\$ 0	\$ (67,830)
548 Generation expense	185,791	185,791	0	141,191	141,191	0	44,600
553 Maintenance of generating and electric plant	125,596	0	125,596	190,101	0	190,101	(64,505)
<u>Total Power Generation Expenses</u>	416,215	290,619	125,596	503,950	313,849	190,101	(87,735)
<u>Power Production Expenses:</u>							
555 Purchased Power	23,933,453	23,933,453	0	20,880,533	20,880,533	0	3,052,920
557 Other expenses	454,245	454,245	0	437,621	437,621	0	16,624
<u>Total Power Production Expenses</u>	24,387,698	24,387,698	0	21,318,154	21,318,154	0	3,069,544
<u>Transmission Expenses:</u>							
565 Transmission of electricity by others	5,677,043	5,677,043	0	5,682,754	5,682,754	0	(5,711)
<u>Total Transmission Expenses</u>	5,677,043	5,677,043	0	5,682,754	5,682,754	0	(5,711)
<u>Distribution Expenses:</u>							
580 Operation supervision and engineering	184,352	184,352	0	201,301	201,301	0	(16,949)
582 Station expenses	303,834	303,834	0	21,945	21,945	0	281,889
583 Overhead line expenses	15,634	15,634	0	80,421	80,421	0	(64,787)
586 Meter expenses	143,511	143,511	0	92,424	92,424	0	51,087
587 Customer installation expenses	30,677	30,677	0	17,370	17,370	0	13,307
588 Miscellaneous distribution expenses	442,118	442,118	0	150,418	150,418	0	291,700
590 Maintenance supervision and engineering	52,607	0	52,607	78,663	0	78,663	(26,056)
591 Maintenance of structures	240,050	0	240,050	77,457	0	77,457	162,593
592 Maintenance of station equipment	75,322	0	75,322	233,132	0	233,132	(157,810)
593 Maintenance of overhead lines	1,157,635	0	1,157,635	989,518	0	989,518	168,117
594 Maintenance of underground lines	222,633	0	222,633	69,014	0	69,014	153,619
595 Maintenance of line transformers	61,329	0	61,329	47,501	0	47,501	13,828
596 Maintenance of street lighting and signal systems	62,418	0	62,418	128,992	0	128,992	(66,574)
<u>Total Distribution Expenses</u>	2,992,120	1,120,126	1,871,994	2,188,156	563,879	1,624,277	803,964
<u>Totals To Be Forwarded</u>	\$ 33,473,076	\$ 31,475,486	\$ 1,997,590	\$ 29,693,014	\$ 27,878,636	\$ 1,814,378	\$ 3,780,062

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, 2023 AND 2022

OPERATING FUND

	<u>2023</u>			<u>2022</u>			Increase (Decrease)
	Total	Operation	Maintenance	Total	Operation	Maintenance	
<u>Total Forwarded</u>	\$ 33,473,076	\$ 31,475,486	\$ 1,997,590	\$ 29,693,014	\$ 27,878,636	\$ 1,814,378	\$ 3,780,062
<u>Customer Account Expense:</u>							
902 Meter reading labor and expenses	34,445	34,445	0	44,311	44,311	0	(9,866)
903 Accounting and collecting labor and expenses	480,609	480,609	0	462,956	462,956	0	17,653
904 Uncollectible accounts	51,138	51,138	0	37,949	37,949	0	13,189
<u>Total Customer Account Expense</u>	566,192	566,192	0	545,216	545,216	0	20,976
<u>Sales Expenses:</u>							
912 Demonstrating and selling expense	1,619,750	1,619,750	0	693,878	693,878	0	925,872
<u>Administrative and General Expenses:</u>							
920 Administrative and general salaries	640,589	640,589	0	529,310	529,310	0	111,279
921 Office supplies and expense	291,615	291,615	0	144,236	144,236	0	147,379
923 Outside services employed	111,164	111,164	0	231,490	231,490	0	(120,326)
924 Property insurance	204,589	204,589	0	226,595	226,595	0	(22,006)
925 Injuries and damages	95,540	95,540	0	29,124	29,124	0	66,416
926 Employee pensions and benefits	1,001,016	1,001,016	0	(1,592,616)	(1,592,616)	0	2,593,632
930 Miscellaneous general expense	231,971	231,971	0	229,935	229,935	0	2,036
932 Maintenance of general plant	124,300	0	124,300	180,078	0	180,078	(55,778)
<u>Total Administrative and General Expenses</u>	2,700,784	2,576,484	124,300	(21,848)	(201,926)	180,078	2,722,632
<u>Total Operation and Maintenance Expenses</u>	\$ 38,359,802	\$ 36,237,912	\$ 2,121,890	\$ 30,910,260	\$ 28,915,804	\$ 1,994,456	\$ 7,449,542

See Independent Auditors' Report