

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**SHREWSBURY ELECTRIC AND CABLE**  
**OPERATIONS (SELCO)-CABLE**  
Financial Statements  
December 31, 2019 and 2018

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE  
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DECEMBER 31, 2019 AND 2018

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

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**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Shrewsbury Electric and Cable Operations (SELCO) – Cable as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise SELCO-Cable's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Shrewsbury Electric and Cable Operations (SELCO) – Cable as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Shrewsbury Electric and Cable Operations (SELCO) – Cable and do not purport to, and do not present fairly the financial position of the Town of Shrewsbury, Massachusetts, as of December 31, 2019 and 2018, and the changes in financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits and Net Pension Liability information on pages three through five and 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operation and Maintenance Expenses on pages 32 and 33 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  
June 12, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Shrewsbury Electric and Cable Operations (SELCO) - Cable (an enterprise fund of the Town of Shrewsbury, Massachusetts) annual financial report, management provides narrative discussion and analysis of the financial activities of SELCO - Cable for the years ended December 31, 2019 and 2018. 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 are designed to indicate our financial position as of a specific point in time. At December 31, 2019 it shows that our net position increased 9.7% compared to the year ended December 31, 2018.

The Statements of Revenues, Expenses and Changes in Net Position summarize operating results and reveal how much income was earned for the year. As discussed in more detail below, our net income for the year ended December 31, 2019 and 2018 was \$3,679,584 and \$4,814,209, respectively.

The Statements of Cash Flows provide information about the cash receipts and cash payments during the accounting period. They also provide information about the investing and financing activities over the same period. A review of the Statements of Cash Flows indicates that the cash receipts from operating activities, (that is, signal sales, internet sales, telephone service sales and related services) adequately covered our operating expenses and plant additions for the year ended December 31, 2019.

### Summary of Net Position

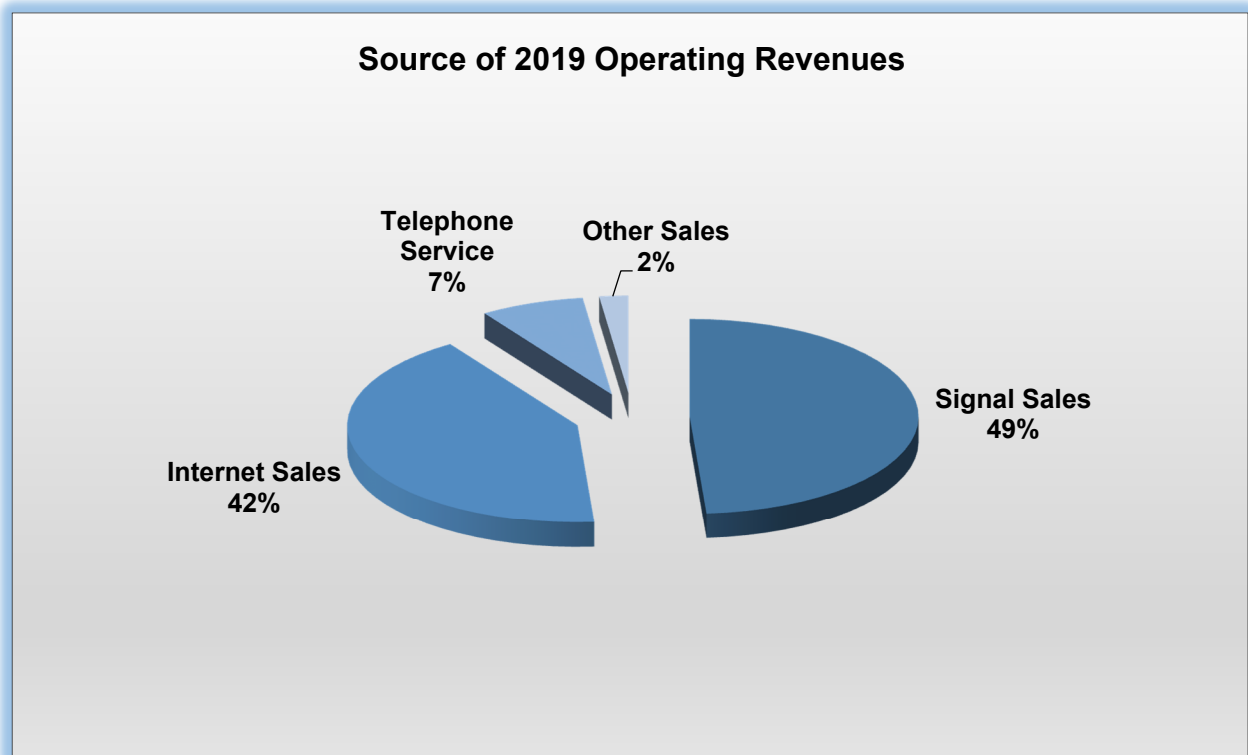
	2019	2018
Current Assets	\$ 28,762,234	\$ 24,201,184
Noncurrent Assets	14,503,492	15,219,590
Total Assets	43,265,726	39,420,774
 Deferred Outflows of Resources	 750,209	 675,073
 <b>Total Assets and Deferred Outflows of Resources</b>	 <b>\$ 44,015,935</b>	 <b>\$ 40,095,847</b>
 Current Liabilities	 \$ 1,279,644	 \$ 1,209,932
Noncurrent Liabilities	697,194	460,764
Total Liabilities	1,976,838	1,670,696
 Deferred Inflows of Resources	 380,566	 446,204
Net Position:		
Net Investment in Capital Assets	14,503,492	15,219,590
Unrestricted Net Position	27,155,039	22,759,357
Total Net Position	41,658,531	37,978,947
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 44,015,935</b>	<b>\$ 40,095,847</b>

### Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 21,358,192	\$ 21,685,363
Operating Expenses	<u>16,327,230</u>	<u>16,807,452</u>
<b>Operating Income</b>	<b>5,030,962</b>	<b>4,877,911</b>
Non-Operating Revenues Less Non-Operating Expenses	<u>(1,351,378)</u>	<u>(63,702)</u>
<b>Net Income</b>	<b><u>3,679,584</u></b>	<b><u>4,814,209</u></b>
Net Position, January 1	<u>37,978,947</u>	<u>33,164,738</u>
Net Position, December 31	<u>\$ 41,658,531</u>	<u>\$ 37,978,947</u>

#### Financial Highlights:

Operating revenues decreased by \$327,171 or 1.5% in 2019. A decrease in signal sales of \$336,653 was the result of a loss of about 303 basic subscribers. There were 297 new subscribers added to SELCO – Cable’s internet service, attributing to a \$577,738 increase in internet sales over 2018. SELCO - Cable’s telephone service lost approximately 212 customers over the course of the year resulting in a \$62,741 decline in revenue.



\* Other sales include revenue generated from installations, equipment sales, advertising sales and revenue from tower rentals.

## **Signal and Connectivity:**

SELCO - Cable provides cable television signal, internet connectivity and local and long-distance telephone service for its customers through direct contracts with cable signal and internet connectivity providers as well as the National Cable Television Cooperative (NCTC) and Alianza.

The association with NCTC aggregates SELCO - Cable with other smaller cable television providers to lend better leverage in negotiating more favorable rates from signal providers. Cable television signal and internet connectivity costs are the costs associated with buying cable television signal and internet connectivity and having it delivered to customers in the Town of Shrewsbury. Cable television signal costs will change as the contracts are renewed. The cost of internet connectivity is directly proportional to the demand for this service and SELCO - Cable's desire to maintain the capacity necessary to provide its customers with a superior level of service and maintain some system connection redundancy.

## **Cable Plant:**

### Cable Plant

The value of Cable Plant in 2019 was \$716,098 less 2018. This decrease can be calculated by taking the 2019 net current year additions of \$2,060,908 and deducting both the net annual depreciation expense of \$2,236,982, and the 2019 loss on disposal of Cable Plant of \$540,024.

SELCO – Cable's financial statements on page eight show a loss on disposal of fixed assets for 2019 of \$1,351,378. That number includes the loss on disposal noted above along with \$815,240 cash, previously held by SELCO for Shrewsbury Media Connection, paid to SMC upon their separation from SELCO – Cable. Both losses are offset by a gain on the sale of a fully depreciated asset totaling \$3,886.

During 2019, the cost of digital converters and cable and telephone modems along with annual improvements to the distribution infrastructure amounted to approximately \$1,452,407, which accounted for 67% of current year additions. Approximately 297 cable modems and were installed in 2019. The number of items deployed is an indicator of the continued growth SELCO - Cable has experienced in their internet.

The process of continually upgrading the head-end facilities to increase reliability, efficiency, and capacity added another \$252,485 in 2019 capital additions, representing approximately 12% of total additions.

It should be noted that the above mentioned plant expenditures have been, and will continue to be funded with revenue received from the sale of cable television, internet and SELCO telephone services.

## **Franchise Fee Payments:**

### Franchise Fee Payments

During 2019 SELCO – Cable paid the Town \$800,000 for Cable Franchise Fees. During 2019 SELCO – Cable paid Shrewsbury Media Connection \$443,582 for Cable Franchise Fees. For 2018 the fees paid were \$800,000 and \$469,535 respectively.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019 AND 2018

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 26,798,137	\$ 22,135,014
Accounts Receivable Customers, Net	1,403,790	1,476,996
Other Accounts Receivable	83,670	38,981
Materials and Supplies	350,949	454,914
Prepayments	125,688	95,279
TOTAL CURRENT ASSETS	28,762,234	24,201,184
NONCURRENT ASSETS:		
Cable Plant Assets, Net	14,503,492	15,219,590
TOTAL ASSETS	43,265,726	39,420,774
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	616,475	528,281
Deferred Outflows of Resources Related to OPEB	133,734	146,792
TOTAL DEFERRED OUTFLOWS OF RESOURCES	750,209	675,073
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 44,015,935	\$ 40,095,847

See Accompanying Notes to the Financial Statements



TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019 AND 2018

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2019	2018
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,166,991	\$ 1,076,024
Due to SELCO - Electric	112,653	90,618
Current Portion of Unearned Revenue	0	43,290
TOTAL CURRENT LIABILITIES	1,279,644	1,209,932
NONCURRENT LIABILITIES:		
Other Postemployment Benefits Liability	263,445	305,465
Net Pension Liability	433,749	155,299
TOTAL NONCURRENT LIABILITIES	697,194	460,764
TOTAL LIABILITIES	1,976,838	1,670,696
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	328,349	444,805
Deferred Inflows of Resources Related to OPEB	52,217	1,399
TOTAL DEFERRED INFLOWS OF RESOURCES	380,566	446,204
NET POSITION:		
Invested in Capital Assets	14,503,492	15,219,590
Unrestricted Net Position	27,155,039	22,759,357
TOTAL NET POSITION	41,658,531	37,978,947
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 44,015,935	\$ 40,095,847

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	2019	2018
OPERATING REVENUES:		
Signal Sales	\$ 10,431,100	\$ 10,767,753
Internet Sales	8,931,614	8,353,876
Telephone Service	1,560,783	1,623,524
Additional Outlet Sales	34,340	37,916
Other Operating Revenue	400,355	902,294
 TOTAL OPERATING REVENUES	 21,358,192	 21,685,363
OPERATING EXPENSES:		
Operations	12,158,405	12,749,521
Maintenance	688,261	615,693
Cable Franchise and Local Access Fees - Town	1,243,582	1,269,535
Depreciation	2,236,982	2,172,703
 TOTAL OPERATING EXPENSES	 16,327,230	 16,807,452
OPERATING INCOME	5,030,962	4,877,911
NONOPERATING INCOME (EXPENSE):		
Loss on Disposal of Equipment	(1,351,378)	(63,702)
NET INCOME	3,679,584	4,814,209
NET POSITION, JANUARY 1	37,978,947	33,164,738
NET POSITION, DECEMBER 31	\$ 41,658,531	\$ 37,978,947

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 21,343,419	\$ 21,668,568
Cash Paid to Suppliers	(9,819,574)	(10,671,692)
Cash Paid to Employees	(2,545,917)	(2,299,293)
Cash Paid for Benefits	(366,279)	(698,263)
Cable Franchise and Local Access Fees - Town	(1,243,582)	(1,269,535)
Net Cash Provided by Operating Activities	7,368,067	6,729,785
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Receipts (Repayments) to/from SELCO - Electric	73,319	(34,118)
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</b>		
Proceeds (Payments) from Disposal of Fixed Assets	3,886	13,020
Payments to Shrewsbury Media Connection	(721,241)	0
Additions to Cable Plant	(2,060,908)	(1,731,178)
Net Cash Used by Capital and Financing Activities	(2,778,263)	(1,718,158)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,663,123	4,977,509
CASH, Beginning of Year	22,135,014	17,157,505
CASH, End of Year	\$ 26,798,137	\$ 22,135,014

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 5,030,962	\$ 4,877,911
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,236,982	2,172,703
Amortization of Deferred Revenue	(43,290)	(51,948)
Allowance for Doubtful Accounts	3,000	(35,000)
Pension Expense	73,801	6,397
Other Postemployment Benefits Expense	86,084	74,658
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	70,206	68,861
Other Accounts Receivable	(44,689)	1,292
Materials and Supplies	103,965	(39,736)
Prepaid Expenses	(30,409)	(6,469)
Deferred Outflows of Resources Related to Pensions	0	(246,722)
Increase (Decrease) in Liabilities:		
Accounts Payable	(3,033)	68,364
Other Postemployment Benefits Liability	(115,512)	(160,526)
Net Cash Provided by Operating Activities	\$ 7,368,067	\$ 6,729,785

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

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

	2019	2018
Funds for General Operation	\$ 26,798,137	\$ 22,135,014

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
 STATEMENTS OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2019 AND 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

ASSETS

	2019	2018
Funds on Deposit with Town Treasurer		
Investments	\$ 1,163,256	\$ 992,866

FIDUCIARY NET POSITION

FIDUCIARY NET POSITION - Restricted	\$ 1,163,256	\$ 992,866
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 TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2019	2018
Contributions	\$ 12,379	\$ 53,034
Investment Income (Loss)	158,011	(49,790)
CHANGES IN FIDUCIARY NET POSITION	170,390	3,244
FIDUCIARY NET POSITION - January 1,	992,866	989,622
FIDUCIARY NET POSITION - December 31,	\$ 1,163,256	\$ 992,866

See Accompanying Notes to the Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

SELCO - Cable is a component unit of the Town of Shrewsbury, Massachusetts. SELCO - Cable provides transmission of cable television signals, the installations necessary for the customer to receive them, high speed internet access, and telephone service (local and long-distance) via the internet to consumers in the Town of Shrewsbury. SELCO - Cable appoints a General Manager who, under the direction and control of the Municipal Light Commission, has full charge of the operations and management of SELCO - Cable.

Regulation and Basis of Presentation

SELCO - Cable'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 - Cable is considered an enterprise fund of the Town of Shrewsbury, Massachusetts. The operations of SELCO - Cable 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.

Union Labor

Approximately one quarter of SELCO - Cable's employees are covered by a three-year union contract which expires on June 30, 2022.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2019 financial statement presentation with no effect on previously stated net income.

Taxes

SELCO - Cable is exempt from federal income taxes.

Cable Plant and Depreciation

Depreciation is computed using percentages ranging from three to twenty percent of the cost of Cable Plant. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Materials and Supplies

Materials and supplies inventory consists of parts and accessories for installations required for service, and are stated at cost using first-in-first-out (FIFO) method for valuing inventory.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, SELCO - Cable considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

During 2019, SELCO - Cable had one non-cash transaction relating to the transfer of the SELCO – Cable OPEB trust fund to SELCO – Electric OPEB trust fund in the amount of \$51,284.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America 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.

Prepayments

Prepayments consist of prepaid expenses attributable to insurance, maintenance contracts, and signal purchases.

Accounts Receivable Customers, Net

SELCO - Cable carries its accounts receivable net of an allowance for doubtful accounts to properly reflect the realizable value. On a periodic basis, SELCO - Cable evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on its history of past write-offs and collections and current credit conditions.

SELCO – Cable’s policy on collections is to consider any receivable past due if payments have not been received within sixty days of receipt of invoice. Termination letters are mailed approximately three weeks prior to the scheduled termination date. If payment is not received prior to the date of termination, the cable is disconnected.

Allowance for Doubtful Accounts

Accounts Receivable is net of allowances for doubtful accounts of \$118,000 for 2019 and \$115,000 for 2018.

Revenue Recognition

Customers are offered video, internet, and voice services primarily on a subscription basis. Customers may generally cancel their subscriptions at any time without penalty. Each subscription service provided is accounted for as a distinct performance obligation and revenue is recognized ratably over a one month service period as the subscription services are delivered. Each optional service purchased is generally accounted for as a distinct performance obligation when purchased and revenue is recognized when the service is provided.

Customers have the option to purchase additional tiers of services, as well as video-on-demand (“VOD”) programming and pay-per-view programming on a per-event basis. Signal sales consist primarily of revenues from the selected programming service tier, as well as VOD fees, pay-per-view fees, retransmission fees, regulatory fees, equipment service fees and video installation fees.

Internet customers receive data download and upload services with speeds dependent on the selected tier of service. Customers are also offered a security suite and an in-home WiFi product. Internet revenues consist primarily of data services, WiFi service fees and Internet installation fees.

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Revenue Recognition (continued)

Telephone service customers receive unlimited local and long distance calling to United States, Canada, Mexico, and Puerto Rico, voicemail, call waiting, caller ID, call forward and other features. Customers may also purchase international calling either by the minute, or through packages of minutes per month. Telephone service revenues consist primarily of voice services and regulatory fees.

Sales Tax

SELCO - Cable collects sales tax. The amount received is credited to a liability account and as payments are made the liability 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.

Unearned Revenue

Deferred revenue represents money received in conjunction with an Indefensible Rights of Use (IRU) agreement which was executed on October 31, 2014. This agreement is between Teleport Communications America and Shrewsbury Electric and Cable Operations (SELCO) – Cable and ended in 2019. Deferred revenue was being amortized over the 5 year term in Other Operating Revenue. Payments from IRU are now made on a monthly basis.

Advertising Costs

SELCO - Cable expenses advertising costs as incurred. Advertising expense was \$64,707 and \$98,263 for the years ended December 31, 2019 and 2018, respectively.

Compensated Absences

SELCO - Cable'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 were \$121,578 and \$156,793 at December 31, 2019 and 2018, respectively.

Deferred Compensation Plan

The employees of SELCO - Cable 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.

Pensions

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



TOWN OF SHREWSBURY, MASSACHUSETTS  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

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

NOTE 2 - CONCENTRATION OF CREDIT RISK:

SELCO - Cable'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 - Cable. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for SELCO - Cable’s deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 3 - OTHER ACCOUNTS RECEIVABLE:

Other Accounts Receivable consists of money due to SELCO - Cable for advertising sales. The balance also has monies owed to SELCO - Cable for pole rentals.

	2019	2018
Advertising Receivables	\$ 26,823	\$ 30,265
Other Receivables	56,847	8,716
	\$ 83,670	\$ 38,981

NOTE 4 - PAYMENT PER FRANCHISE AGREEMENT:

SELCO - Cable has a ten-year Cable Franchise Agreement with the Town that expires March 28, 2023. The agreement establishes a contractual obligation for annual payments to be paid to the Town in June of each year. The formula determining the amount that SELCO - Cable pays is stipulated within the Cable Franchise Agreement, which is capped at \$800,000. During 2018, SELCO - Cable paid a one-time license fee that was calculated on a percentage of the television revenue. Total payment related to the annual franchise agreement for the years ended December 31, 2019 and 2018 was \$800,000. SELCO also pays annually Shrewsbury Media Connection \$443,582 and \$469,535, respectively.

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NOTE 5 - RELATED PARTY TRANSACTIONS:

Shrewsbury Electric and Cable Operations are enterprise funds of the Town of Shrewsbury and are both under the management of the same Board of Commissioners. Amounts Due to SELCO - Electric consist of various payments made by SELCO - Electric on behalf of SELCO - Cable. Payments were for shared operating expenses.

In 2019 and 2018 SELCO - Cable paid the Town amounts of \$1,182,692 and \$1,424,695, respectively. Each year \$800,000 was paid for the Cable Franchise Fee. The remainder in both years was related to health insurance premiums, employer retirement contributions, Medicare payments and payments for fuel used by SELCO - Cable's fleet of vehicles.

At December 31, 2019 and 2018, the outstanding balances payable to the Town were \$116,712 and \$88,340, respectively.

NOTE 6 - CABLE PLANT ASSETS:

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 97,130	\$ 0	\$ (97,130)	\$ 0
Capital Assets Being Depreciated:				
Intangible Plant	342,745	0	0	342,745
Transmitting Plant	1,612,259	0	(1,328,590)	283,669
Head End Equipment	11,445,446	252,485	0	11,697,931
Distribution Facilities	21,795,836	1,452,407	(183,210)	23,065,033
General Plant	<u>2,022,511</u>	<u>543,146</u>	<u>0</u>	<u>2,475,657</u>
Total Capital Assets Being Depreciated	<u>37,218,797</u>	<u>2,158,038</u>	<u>(1,511,800)</u>	<u>37,865,035</u>
Less Accumulated Depreciation for:				
Intangible Plant	(342,745)	0	0	(342,745)
Transmitting Plant	(1,006,847)	(87,302)	869,319	(224,830)
Head End Equipment	(5,320,216)	(585,627)	0	(5,905,843)
Distribution Facilities	(14,197,348)	(1,354,113)	102,457	(15,449,004)
General Plant	<u>(1,229,181)</u>	<u>(209,940)</u>	<u>0</u>	<u>(1,439,121)</u>
Total Accumulated Depreciation	<u>(22,096,337)</u>	<u>(2,236,982)</u>	<u>971,776</u>	<u>(23,361,543)</u>
Capital Assets Being Depreciated, Net	<u>15,122,460</u>	<u>(78,944)</u>	<u>(540,024)</u>	<u>14,503,492</u>
Utility Plant Assets, Net	<u>\$ 15,219,590</u>	<u>\$ (78,944)</u>	<u>\$ (637,154)</u>	<u>\$ 14,503,492</u>

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NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	2019	2018
Cost of Capital Assets Acquired	\$ 37,865,035	\$ 37,315,927
Less: Accumulated Depreciation	(23,361,543)	(22,096,337)
Net Investment in Capital Assets	\$ 14,503,492	\$ 15,219,590

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND:

The Other Postemployment Benefits Liability Trust Fund was established by vote of the Board of Light Commissioners on May 11, 2009. The Board voted to accept the provisions of MGL Chapter 32B, Section 20 which establishes a separate Fund and a funding schedule for the Fund. The schedule and any future updates shall be designed, consistent with standards issued by the Governmental Accounting Standards Board, to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The SELCO - Cable Fund is held under the custodianship of the Treasurer of the Town of Shrewsbury. The balance in the Trust as of December 31, 2019 and 2018 was \$1,163,256 and \$992,866, 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.

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.

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NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

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 - Cable management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, SELCO - Cable's OPEB Trust Fund investments at fair value at December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, SELCO - Cable OPEB Trust Fund did not have any investments that were measured using Level 2 or Level 3 inputs.

	December 31, 2019 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>	December 31, 2018 Quoted Prices in Active Markets for Identical Assets <u>(All Level 1)</u>
<u>FMV Investments:</u>		
Mutual Funds	\$ <u>1,163,256</u>	\$ <u>992,866</u>

As of December 31, 2019 and 2018, there were no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represented 5% or more of total investments.

Plan Administration

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

Plan Membership

At June 30, 2019, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	11
Active plan members	30
	41

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.

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NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

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 set forth in the Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

Rate of Return

For the year ended June 30, 2019 and 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Net OPEB Liability of the Plan

The components of the net OPEB liability at June 30, 2019 and 2018, were as follows:

	2019	2018
Total OPEB Liability	\$ 1,436,079	\$ 1,351,489
Fiduciary Net Position	(1,172,634)	(1,046,024)
Net OPEB Liability	\$ 263,445	\$ 305,465

Fiduciary net position as a percentage of the total OPEB liability was 81.66% and 77.40% for June 30, 2019 and 2018, respectively.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, 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 2019 and for future periods
Pre-Retirement Mortality- All Groups	RP-2014 Blue Collar Mortality Table, with scale MP-2015, fully generational.

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NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT LIABILITY TRUST FUND (Continued):

Actuarial Assumptions (continued)

Post-Retirement Mortality-  
 Group 1 and 2

RP-2014 Blue Collar Mortality Table, set forward  
 5 years for males and 3 years for females fully  
 generational, fully generational.

Group 4

RP-2014 Blue Collar Mortality Table, set forward  
 3 years for males and 6 years for females fully  
 generational, fully generational.

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

Discount Rate

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

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

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

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net OPEB Liability	\$ 302,576	\$ 263,445	\$ 231,288

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

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

	1% Decrease <u>3.5%</u>	Current Healthcare Cost Trend Rates <u>4.5%</u>	1% Increase <u>5.5%</u>
Net OPEB Liability	\$ 225,432	\$ 263,445	\$ 310,911

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NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

SELCO - Cable implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended December 31, 2018. As required by GASB 75, SELCO - Cable has recorded the net OPEB obligation at the beginning of the transition year as determined by an actuarial study, and has applied the measurement recognition requirements of GASB 75 on a prospective basis.

Plan Description

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

Plan Membership

At the measurement date of June 30, 2019, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	11	
Active plan members	30	
Total Number of Participants	41	

Contributions

SELCO - Cable'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 SELCO-Cable are established and may be amended through SELCO-Cable ordinances. For the years ending December 31, 2019 and 2018 and the measurement dated of June 30, 2019 and 2018, respectively, total premiums plus implicit costs for the retiree medical program were \$51,849 and \$49,616, respectively.

OPEB Liabilities

At December 31, 2019 and 2018, SELCO-Cable reported a liability of \$263,445 and \$305,465, respectively, for its net OPEB liability. The 2019 and 2018 net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and was determined by an actuarial valuation as of July 1, 2018.

OPEB Expense

For the years ended December 31, 2019 and 2018, SELCO-Cable recognized OPEB Expense of \$86,084 and \$74,658, respectively. At December 31, 2019 and 2018, SELCO-Cable reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	2019	2018
Differences between expected and actual experience	\$ 99,358	\$ 121,052
Changes of assumptions	9,176	11,179
Net difference between projected and actual earnings on OPEB plan investments	25,200	14,561
	\$ 133,734	\$ 146,792

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NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

OPEB Expense (continued)

Deferred Inflows of Resources Related to OPEB

	2019	2018
Net difference between projected and actual earnings on OPEB plan investments	\$ 933	\$ 1,399
SELCO - Cable withdrawals subsequent to the measurement date	51,284	0
	\$ 52,217	\$ 1,399

Of the total amount reported as deferred inflows of resources related to OPEB, \$51,284 resulting from SELCO - Cable withdrawals subsequent to the measurement date and before the end of the fiscal year will be included as an increase of the net OPEB liability for the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the SELCO - Cable's pension expense as follows:

Deferred Outflows of Resources

Deferred Inflows of Resources

Year Ended December 31:

	2020	\$	30,907
	2021		30,907
	2022		30,908
	2023		27,266
	2024		13,746

Total     \$ 133,734

Year Ended December 31:

	2020	\$	466
	2021		467
	Total	\$	933

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

NOTE 10 - PENSION PLAN:

Plan Description

SELCO - Cable, 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 10 - 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 - Cable 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 - Cable 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 - Cable's required contributions to the System for the years ended December 31, 2019 and 2018 were \$246,722 and \$229,710, respectively which were paid during calendar years 2018 and 2017, respectively.

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NOTE 10 - PENSION PLAN (Continued):

Pension Liabilities

At December 31, 2019 and 2018, SELCO - Cable reported a liability of \$433,749 and \$155,298, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and 2017, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2018. SELCO - Cable's portion of the net pension liability was based on the current employees, retirees, inactive participants and actual share of the net position to the entire System as of the measured date of December 31, 2018 and 2017. SELCO - Cable's portion of the net pension liability was based on the percentage of SELCO - Cable's contributions to the total System contributions as of the measured date of December 31, 2018 and 2017. At the measured date of December 31, 2018 and 2017, SELCO - Cable's portion was 3.92% and 3.67%, respectively.

Pension Expense

For the years ended December 31, 2019 and 2018 SELCO - Cable recognized a pension expense of \$73,801 and \$6,397, respectively. For the years ended December 31, 2019 and 2018, SELCO - Cable reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2019</u>	<u>2018</u>
Differences between expected and actual experience	\$ 64,659	\$ 88,570
Net difference between projected and actual earnings on pension plan investments	468,637	107,750
Changes in proportion and differences between employer contributions and Department proportionate share	83,179	85,239
SELCO - Cable contributions subsequent to the measurement date	<u>0</u>	<u>246,722</u>
Total	<u>\$ 616,475</u>	<u>\$ 528,281</u>
 <u>Deferred Inflows of Resources Related to Pension</u>		
Changes of assumptions	\$ 9,449	\$ 15,003
Net difference between projected and actual earnings on pension plan investments	244,062	313,621
Differences between expected and actual experience	34,471	54,731
Changes in proportion and differences between employer contributions and Department proportionate share	<u>40,367</u>	<u>61,450</u>
Total	<u>\$ 328,349</u>	<u>\$ 444,805</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in SELCO-Cable's pension expense in the table on the next page.

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NOTE 10 - PENSION PLAN (Continued):

Pension Expense (continued)

Net Deferred Outflows and Inflows of Resources Related to Pensions

Year Ended December 31:

2020	\$	80,449
2021		41,834
2022		54,562
2023		110,652
2024		<u>629</u>
	<u>\$</u>	<u>288,126</u>

Actuarial Assumptions

The total pension liability as of December 31, 2019 was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	The Actuarial Value of Assets is the market value as reported by the Public Employees' Retirement Administration Commission (PERAC).
Inflation Rates	Not explicitly assumed
Projected Salary Increases	3.5% per year.
Cost of Living Allowance	3.0% of the lesser of the pension amount and \$12,000 per year.
Mortality Rates:	Both pre-retirement and beneficiary mortality rates are reflected by the RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.
	Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Morality Table set forward five years for males and three years for females, fully generational.
	Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Morality Table set forward three years for males and six years for females, fully generational.
	Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Morality Table set forward two years, generationally adjusting is based on Scale MP-2014.

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NOTE 10 - PENSION PLAN (Continued):

Actuarial Assumptions (continued)

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.

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, 2018 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	15.0%	5.2%
Medium Capital	10.0%	8.1%
Small Capital	8.0%	7.5%
International Equities	9.0%	3.5%
Emerging Market Equities	6.0%	9.8%
Real Assets	15.0%	6.6%
Core Fixed Income	10.0%	2.4%
High Yield Fixed Income	11.0%	4.9%
Private Equity	6.0%	10.9%
Hedge Funds	8.0%	4.1%
Timberlands	2.0%	4.3%
	<u>100.0%</u>	

Discount Rate

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

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Proportionate share of the Net Pension Liability	\$ 1,007,750	\$ 433,749	\$ (51,055)

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 - PENSION PLAN (Continued):

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.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

SELCO - Cable is committed under long-term signal purchase contracts expiring on various dates through 2024. The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2019.

For the Year Ending December 31:	2020	\$	8,006,049
	2021		5,331,116
	2022		2,456,954
	2023		1,618,661
	2024		448,315
	Total	\$	<u>17,861,095</u>

Signal purchase expense under these contracts was \$7,680,168 and \$7,944,541 in 2019 and 2018, respectively.

NOTE 12 - LEASE REVENUE:

SELCO - Cable and Verizon Wireless entered into a Tower Lease Agreement in July of 1996. The annual rental income under the current lease which as automatically extended thru October 2021 was \$35,922 and \$34,876 for the years ended December 31, 2019 and 2018, respectively. Under the present agreement, the lease expiration date will be automatically extended for one additional five year term and the annual rental shall increase 3% at the beginning of each five year term extension.

NOTE 13 - RISK MANAGEMENT:

Self-Insurance Trust

SELCO - Cable participates in the MA Municipal Self-Insurance Trust (the Trust) with 17 other municipal light departments for the purposes of sharing general and environmental liability risks. Through the Trust, SELCO - Cable is insured for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by SELCO - Cable. Environmental insurance coverage provides for \$1,500,000 per occurrence, with a \$100,000 deductible that would be paid by both SELCO - Cable 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, 2019 and 2018, SELCO - Cable considers its’ pro rata share of these losses to be immaterial to its financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 - SUBSEQUENT EVENT:

Management has evaluated subsequent events through June 12, 2020 the date on which the financial statements were available to be issued. Changes in investment returns and fair values can have a significant effect on the OPEB Trust Fund. Since December 31, 2019, the U.S. and world markets have continued to experience significant declines. Management is monitoring investment market conditions and the impact such declines are having on the OPEB Trust Fund's investment portfolio. Due to the volatility of the financial markets as of the date of this report, there is uncertainty regarding the impact that continued volatility might have on the OPEB Trust's investment portfolio.

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

OPERATING FUND

For the Year Ending December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Valuation Date	1/1/2018	1/1/2018	1/1/2017	1/1/2016	1/1/2015
Measurement Date	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Schedule of the SELCO - Cable's Proportionate Share of the Net Pension Liability (NPL):</b>					
SELCO - Cable's Portion of the NPL	3.92%	3.67%	2.98%	3.79%	3.97%
SELCO - Cable's Proportionate Share of the NPL	\$ 433,749	\$ 155,299	\$ 563,266	\$ 791,516	\$ 854,978
SELCO - Cable's Total Employee Payroll	\$ 2,545,917	\$ 2,476,913	\$ 2,431,932	\$ 2,286,821	\$ 2,299,139
NPL as a Percentage of Total Employee Payroll	17.04%	6.27%	23.16%	34.61%	37.19%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	91.68%	96.73%	77.10%	82.46%	81.86%
<b>Schedule of Contributions:</b>					
Actuarially Determined Contributions	\$ 246,722	\$ 229,710	\$ 250,784	\$ 240,876	\$ 217,969
Less: Contributions in Relation to the Actuarially Determined Contribution	<u>(246,722)</u>	<u>(229,710)</u>	<u>(250,784)</u>	<u>(240,876)</u>	<u>(217,969)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SELCO - Cable's Total Employee Payroll	\$ 2,545,917	\$ 2,476,913	\$ 2,431,932	\$ 2,286,821	\$ 2,299,139
Contributions as a Percentage of the SELCO - Cable's Total Employee Payroll	9.69%	9.27%	10.31%	10.53%	9.48%

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

See Independent Auditors' Report

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

OPERATING FUND & OPEB TRUST FUND

	2019	2018	(Town Wide) 2017
<b>Total OPEB Liability:</b>			
Service Cost	\$ 34,406	\$ 32,924	\$ 1,543,475
Interest	102,033	85,173	3,438,194
Differences between Expected and Actual Experience	0	142,746	0
Changes of Assumptions	0	13,182	0
Benefit Payments	(51,849)	(49,616)	(2,304,138)
Net Change in Total OPEB Liability	84,590	224,409	2,677,531
Total OPEB Liability - Beginning	1,351,489	1,127,080	45,430,360
Total OPEB Liability - Ending	\$ 1,436,079	\$ 1,351,489	\$ 48,107,891
<b>Plan Fiduciary Net Position:</b>			
Contributions-Employer	\$ 112,314	\$ 157,466	\$ 2,391,572
Net Investment Income	62,947	52,108	317,312
Benefit Payments	(48,651)	(46,556)	(2,059,702)
Net Change in Plan Fiduciary Net Position	126,610	163,018	649,182
Plan Fiduciary Net Position - Beginning	1,046,024	883,006	2,828,262
Plan Fiduciary Net Position - Ending	\$ 1,172,634	\$ 1,046,024	\$ 3,477,444
<b>Net OPEB Liability - Ending</b>	\$ 263,445	\$ 305,465	\$ 44,630,447

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 Cable 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) - CABLE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

OPERATING FUND & OPEB TRUST FUND

	2019	2018	(Town Wide) 2017
<b>Schedules of Net OPEB Liability:</b>			
Total OPEB Liability	\$ 1,436,079	\$ 1,351,489	\$ 48,107,891
Plan Fiduciary Net Position	1,172,634	1,046,024	3,477,444
Net OPEB Liability	\$ 263,445	\$ 305,465	\$ 44,630,447
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.66%	77.40%	7.23%
Covered Payroll	\$ 2,441,896	\$ 2,359,320	\$ 67,279,575
Net OPEB Liability as a Percentage of Covered Payroll	10.79%	12.95%	66.34%
<b>Schedules of Employer Contributions:</b>			
Actuarially Determined Contributions	\$ 93,378	\$ 89,621	\$ 2,391,572
Less: Contributions in relation to the actuarially determined contribution	(112,314)	(157,466)	(2,636,008)
Contribution Deficiency (Excess)	\$ (18,936)	\$ (67,845)	\$ (244,436)
Covered Payroll	\$ 2,441,896	\$ 2,359,320	\$ 67,279,575
Contributions as a percentage of covered payroll	4.60%	6.67%	3.92%
<b>Schedules of Investment Returns:</b>			
Annual Money-Weighted rate of Return, net of investment expenses	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 Cable 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) - CABLE  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	<u>2019</u>			<u>2018</u>			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Head End Expenses:</u>							
530 Supervision and Engineering	\$ 44,639	\$ 44,639	\$ 0	\$ 42,761	\$ 42,761	\$ 0	\$ 1,878
532 Labor	374,287	374,287	0	381,577	381,577	0	(7,290)
534 Station Power	1,399	1,399	0	1,668	1,668	0	(269)
542 Maintenance of Structures	6,739	0	6,739	2,531	0	2,531	4,208
546 Maintenance of Head End Apparatus	348,677	0	348,677	314,989	0	314,989	33,688
<u>Total Head End Expenses</u>	<u>775,741</u>	<u>420,325</u>	<u>355,416</u>	<u>743,526</u>	<u>426,006</u>	<u>317,520</u>	<u>32,215</u>
<u>Signal Expenses:</u>							
555 Signal Purchases	7,680,168	7,680,168	0	7,944,651	7,944,651	0	(264,483)
555 Internet Connectivity	321,263	321,263	0	334,186	334,186	0	(12,923)
555 Telephone Fees & Connectivity	479,742	479,742	0	487,874	487,874	0	(8,132)
<u>Total Signal Expenses</u>	<u>8,481,173</u>	<u>8,481,173</u>	<u>0</u>	<u>8,766,711</u>	<u>8,766,711</u>	<u>0</u>	<u>(285,538)</u>
<u>Transmitting Expenses:</u>							
562 Station Power	48,524	48,524	0	46,662	46,662	0	1,862
<u>Distribution Expenses:</u>							
583 Overhead Line Expenses	104,527	104,527	0	98,692	98,692	0	5,835
586 Converter Expense	17,659	17,659	0	17,757	17,757	0	(98)
587 Customer Installation Expense	630,357	630,357	0	660,972	660,972	0	(30,615)
591 Maintenance of Structures	96,641	0	96,641	110,546	0	110,546	(13,905)
593 Maintenance of Overhead Lines	206,590	0	206,590	172,427	0	172,427	34,163
594 Maintenance of Overhead Lines	29,614	0	29,614	15,200	0	15,200	14,414
<u>Total Distribution Expenses</u>	<u>1,085,388</u>	<u>752,543</u>	<u>332,845</u>	<u>1,075,594</u>	<u>777,421</u>	<u>298,173</u>	<u>9,794</u>
<u>Total to be Forwarded</u>	<u>\$ 10,390,826</u>	<u>\$ 9,702,565</u>	<u>\$ 688,261</u>	<u>\$ 10,632,493</u>	<u>\$ 10,016,800</u>	<u>\$ 615,693</u>	<u>\$ (241,667)</u>

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS  
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE  
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING FUND

	2019			2018			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Total Forwarded</u>	\$ 10,390,826	\$ 9,702,565	\$ 688,261	\$ 10,632,493	\$ 10,016,800	\$ 615,693	\$ (241,667)
<u>Customer Accounts Expenses</u>							
903 Customer Records and Collection Expense	912,099	912,099	0	927,331	927,331	0	(15,232)
904 Uncollectible Accounts	81,867	81,867	0	72,694	72,694	0	9,173
<u>Total Customer Accounts Expenses</u>	993,966	993,966	0	1,000,025	1,000,025	0	(6,059)
<u>Sales Expense</u>							
913 Advertising Expense	64,707	64,707	0	98,263	98,263	0	(33,556)
<u>Administrative and General Expenses</u>							
920 Administrative and General Salaries	497,454	497,454	0	483,296	483,296	0	14,158
921 Office Supplies and Expenses	151,748	151,748	0	172,556	172,556	0	(20,808)
923 Outside Services Employed	80,246	80,246	0	105,301	105,301	0	(25,055)
924 Property Insurance	45,785	45,785	0	35,335	35,335	0	10,450
925 Injuries and Damages	18,476	18,476	0	19,846	19,846	0	(1,370)
926 Employee Pension and Benefits	517,847	517,847	0	453,080	453,080	0	64,767
930 Miscellaneous General Expenses	33,378	33,378	0	21,530	21,530	0	11,848
933 Transportation Expense	52,233	52,233	0	43,741	43,741	0	8,492
<u>Total Administrative and General Expenses</u>	1,397,167	1,397,167	0	1,334,685	1,334,685	0	62,482
<u>Community Access Programming Expenses</u>							
920 Administration and General Salaries	0	0	0	299,748	299,748	0	(299,748)
<u>Total Operation and Maintenance Expenses</u>	\$ 12,846,666	\$ 12,158,405	\$ 688,261	\$ 13,365,214	\$ 12,749,521	\$ 615,693	\$ (518,548)

See Independent Auditors' Report