

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE
OPERATIONS (SELCO)-CABLE
Financial Statements
December 31, 2018 and 2017

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

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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) – 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, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018 and 2017, and the changes in financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits and Net Pension Liability information on pages three through five and 28 through 30 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 Operations and Maintenance Expenses on pages 31 and 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts

May 3, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Shrewsbury Electric and Cable Operations (SELCO) - 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, 2018 and 2017. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements:

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

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2018 it shows that our net position increased 14.5% compared to the year ended December 31, 2017.

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, 2018 and 2017 was \$4,814,209 and \$4,033,017, 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, 2018.

Summary of Net Position

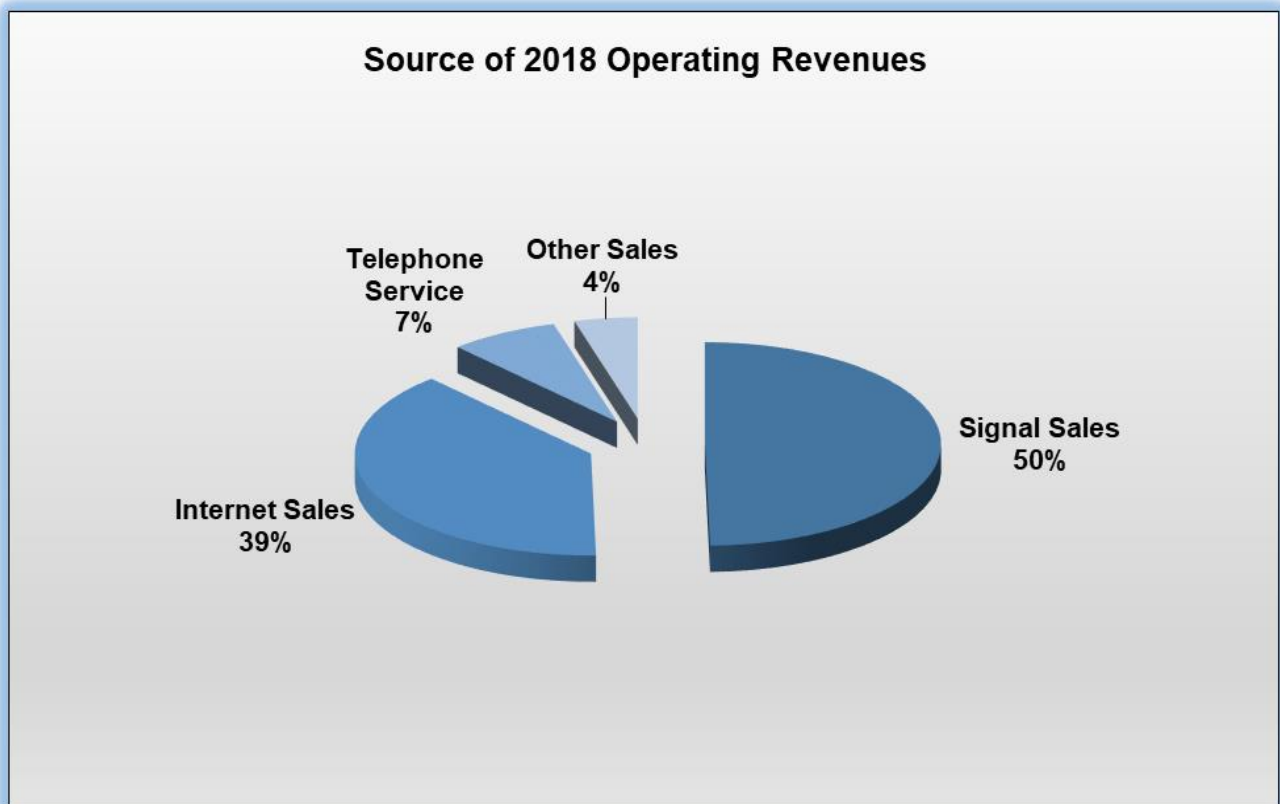
	2018	(As Revised) 2017
Current Assets	\$ 24,201,184	\$ 19,212,623
Noncurrent Assets	15,219,590	15,737,837
Total Assets	39,420,774	34,950,460
Deferred Outflows of Resources	675,073	413,554
Total Assets and Deferred Outflows of Resources	\$ 40,095,847	\$ 35,364,014
Current Liabilities	\$ 1,209,932	\$ 1,184,344
Noncurrent Liabilities	460,764	850,631
Total Liabilities	1,670,696	2,034,975
Deferred Inflows of Resources	446,204	164,301
Net Position:		
Net Investment in Capital Assets	15,219,590	15,737,837
Unrestricted Net Position	22,759,357	17,426,901
Total Net Position	37,978,947	33,164,738
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 40,095,847	\$ 35,364,014

Summary of Changes in Net Position

	2018	(As Revised) 2017
Operating Revenues	\$ 21,685,363	\$ 20,759,972
Operating Expenses	<u>16,807,452</u>	<u>16,538,836</u>
Operating Income	4,877,911	4,221,136
Non-Operating Revenues Less Non-Operating Expenses	<u>(63,702)</u>	<u>(188,119)</u>
Net Income	<u>4,814,209</u>	<u>4,033,017</u>
Net Position, January 1	33,164,738	29,231,907
Implementation of GASB 75	<u>0</u>	<u>(100,186)</u>
Net Position, December 31	<u>\$ 37,978,947</u>	<u>\$ 33,164,738</u>

Financial Highlights:

Operating revenues increased by \$925,391 or 4.45% in 2018. An increase in signal sales of \$261,215 was the result of a rate increase that was implemented in March of 2018 tempered with the loss of about 745 basic subscribers. There were 442 new subscribers added to SELCO – Cable’s internet service, attributing to a \$625,705 increase in internet sales over 2017. SELCO - Cable’s telephone service lost approximately 219 customers over the course of the year resulting in a \$13,059 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

Cable Plant decreased by \$518,247 from 2017. This decrease is the difference between the net current year additions of \$1,731,178 and the net annual depreciation expense of \$2,172,703, coupled with a loss on disposal of Cable Plant in the amount of \$76,722. It should also be noted that SELCO – Cable collected \$13,020 for the disposal of fully depreciated plant. During 2018, the cost of digital converters and cable and telephone modems along with annual improvements to the distribution infrastructure amounted to approximately \$1,154,156, which accounted for 67% of current year additions. Approximately 442 cable modems and were installed in 2018. 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 \$581,939 in 2018 capital additions, representing approximately 33% 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.

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

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2018</u>	<u>(As Revised) 2017</u>
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 22,135,014	\$ 17,157,505
Accounts Receivable Customers, Net	1,476,996	1,510,857
Other Accounts Receivable	38,981	40,273
Materials and Supplies	454,914	415,178
Prepayments	<u>95,279</u>	<u>88,810</u>
TOTAL CURRENT ASSETS	<u>24,201,184</u>	<u>19,212,623</u>
NONCURRENT ASSETS:		
Cable Plant Assets, Net	<u>15,219,590</u>	<u>15,737,837</u>
TOTAL ASSETS	<u>39,420,774</u>	<u>34,950,460</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	528,281	413,554
Deferred Outflows of Recourses Related to OPEB	<u>146,792</u>	<u>0</u>
TOTAL DEFERRED OUTFLOWS OF RECOURCES	<u>675,073</u>	<u>413,554</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 40,095,847</u></u>	<u><u>\$ 35,364,014</u></u>

See Accompanying Notes to Financial Statements

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

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2018</u>	<u>(As Revised) 2017</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,076,024	\$ 1,007,660
Due to SELCO - Electric	90,618	124,736
Current Portion of Unearned Revenue	<u>43,290</u>	<u>51,948</u>
TOTAL CURRENT LIABILITIES	<u>1,209,932</u>	<u>1,184,344</u>
NONCURRENT LIABILITIES:		
Other Postemployment Benefits Liability	305,465	244,075
Unearned Revenue, Net of Current Portion	0	43,290
Net Pension Liability	<u>155,299</u>	<u>563,266</u>
TOTAL NONCURRENT LIABILITIES	<u>460,764</u>	<u>850,631</u>
TOTAL LIABILITIES	<u>1,670,696</u>	<u>2,034,975</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	444,805	162,436
Deferred Inflows of Resources Related to OPEB	<u>1,399</u>	<u>1,865</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>446,204</u>	<u>164,301</u>
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	15,219,590	15,737,837
Unrestricted Net Position	<u>22,759,357</u>	<u>17,426,901</u>
TOTAL NET POSITION	<u>37,978,947</u>	<u>33,164,738</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 40,095,847</u>	<u>\$ 35,364,014</u>

See Accompanying Notes to 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, 2018 AND 2017

OPERATING FUND

	2018	(As Revised) 2017
	<u> </u>	<u> </u>
OPERATING REVENUES:		
Signal Sales	\$ 10,767,753	\$ 10,506,538
Internet Sales	8,353,876	7,701,171
Telephone Service	1,623,524	1,636,583
Additional Outlet Sales	37,916	40,798
Other Operating Revenue	<u>902,294</u>	<u>874,882</u>
 TOTAL OPERATING REVENUES	 <u>21,685,363</u>	 <u>20,759,972</u>
OPERATING EXPENSES:		
Operations	12,749,521	12,571,346
Maintenance	615,693	581,614
Cable Franchise Fees - Town	1,269,535	1,239,838
Depreciation	<u>2,172,703</u>	<u>2,146,038</u>
 TOTAL OPERATING EXPENSES	 <u>16,807,452</u>	 <u>16,538,836</u>
 OPERATING INCOME	 <u>4,877,911</u>	 <u>4,221,136</u>
NONOPERATING INCOME (EXPENSE):		
Loss on Disposal of Equipment	<u>(63,702)</u>	<u>(188,119)</u>
 NET INCOME	 4,814,209	 4,033,017
 NET POSITION, JANUARY 1	 33,164,738	 29,231,907
 Implementation of GASB 75	 <u>0</u>	 <u>(100,186)</u>
 NET POSITION, DECEMBER 31	 <u>\$ 37,978,947</u>	 <u>\$ 33,164,738</u>

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, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	<u>(As Revised) 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 21,668,568	\$ 20,567,956
Cash Paid to Suppliers	(10,671,692)	(10,516,015)
Cash Paid to Employees	(2,299,293)	(2,262,219)
Cash Paid for Benefits	(698,263)	(636,664)
Cable Franchise Fees - Town	<u>(1,269,535)</u>	<u>(1,239,838)</u>
Net Cash Provided by Operating Activities	<u>6,729,785</u>	<u>5,913,220</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment to SELCO - Electric	<u>(34,118)</u>	<u>(22,820)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Proceeds from Disposal of Fixed Assets	13,020	0
Additions to Cable Plant	<u>(1,731,178)</u>	<u>(2,138,504)</u>
Net Cash Used by Capital and Financing Activities	(1,718,158)	(2,138,504)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,977,509	3,751,896
CASH, Beginning of Year	<u>17,157,505</u>	<u>13,405,609</u>
CASH, End of Year	<u>\$ 22,135,014</u>	<u>\$ 17,157,505</u>

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, 2018 AND 2017

OPERATING FUND

	<u>2018</u>	<u>(As Revised)</u> <u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 4,877,911	\$ 4,221,136
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,172,703	2,146,038
Amortization of Deferred Revenue	(51,948)	(51,948)
Allowance for Doubtful Accounts	(35,000)	(19,000)
Pension Expense	6,397	52,623
Other Postemployment Benefits Expense	74,658	(570)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	68,861	(127,155)
Other Accounts Receivable	1,292	6,087
Materials and Supplies	(39,736)	(38,190)
Prepaid Expenses	(6,469)	(2,128)
Deferred Outflows of Resources Related to Pensions	(246,722)	(229,710)
Increase (Decrease) in Liabilities:		
Accounts Payable	68,364	13,913
Other Postemployment Benefits Liability	(160,526)	(57,876)
Net Cash Provided by Operating Activities	<u>\$ 6,729,785</u>	<u>\$ 5,913,220</u>

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.

	<u>2018</u>	<u>(As Revised)</u> <u>2017</u>
Funds for General Operation	<u>\$ 22,135,014</u>	<u>\$ 17,157,505</u>

See Accompanying Notes to Financial Statements

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

ASSETS

	2018	2017
Funds on Deposit with Town Treasurer		
Investments	\$ 992,866	\$ 989,622
	992,866	989,622
FIDUCIARY NET POSITION		
FIDUCIARY NET POSITION - Restricted	\$ 992,866	\$ 989,622
	992,866	989,622

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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, 2018 AND 2017

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2018	2017
Contributions	\$ 53,034	\$ 57,876
Investment Income (Loss)	(49,790)	99,477
	3,244	157,353
CHANGES IN FIDUCIARY NET POSITION		
FIDUCIARY NET POSITION - January 1,	989,622	832,269
	989,622	832,269
FIDUCIARY NET POSITION - December 31,	\$ 992,866	\$ 989,622
	992,866	989,622

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2019.

Reclassifications

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

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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

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 \$115,000 for 2018 and \$150,000 for 2017.

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. Deferred revenue is being amortized over the 5 year term in Other Operating Revenue.

Advertising Costs

SELCO - Cable expenses advertising costs as incurred. Advertising expense was \$98,263 and \$90,918 for the years ended December 31, 2018 and 2017, respectively.

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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 \$156,793 and \$90,393 at December 31, 2018 and 2017, 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.

Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

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

Financial Statement Revision

The Department revised its beginning net position through the implementation of GASB Statement #75 related to accounting for OPEB. The cumulative effect of this revision was to reduce the prior year total net position by \$100,186, increase the OPEB liability by \$98,321 and increase deferred inflows of resources related to OPEB by \$1,865.

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NOTE 2 - CONCENTRATION OF CREDIT RISK:

SELCO - Cable Department'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 the Cable Department. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Cable Department'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.

	2018	2017
Advertising Receivables	\$ 30,265	\$ 30,053
Other Receivables	8,716	10,220
	\$ 38,981	\$ 40,273

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. 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, 2018 and 2017 was \$800,000. SELCO also pays annually Shrewsbury Media Connection \$469,535 and \$438,838, respectively.

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 2018 and 2017 SELCO - Cable paid the Town amounts of \$1,424,695 and \$1,419,388, 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, 2018 and 2017, the outstanding balances payable to the Town were \$88,340 and \$100,909, respectively.

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NOTE 6 - NET INVESTMENT IN CAPITAL ASSETS:

	2018	2017
Cost of Capital Assets Acquired	\$ 37,315,927	\$ 35,744,971
Less: Accumulated Depreciation	(22,096,337)	(20,007,134)
Net Investment in Capital Assets	\$ 15,219,590	\$ 15,737,837

NOTE 7 - CABLE PLANT ASSETS:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 243,678	\$ 83,039	\$ (229,587)	\$ 97,130
Total	243,678	83,039	(229,587)	97,130
Capital Assets Being Depreciated				
Intangible Plant	\$ 342,745	\$ 0	\$ 0	\$ 342,745
Transmitting Facilities	1,612,259	0	0	1,612,259
Head End Equipment	10,863,507	581,939	0	11,445,446
Distribution Facilities	20,801,902	1,154,156	(160,222)	21,795,836
General Plant	1,880,880	141,631	0	2,022,511
Total	35,501,293	1,877,726	(160,222)	37,218,797
Less Accumulated Depreciation For:				
Intangible Plant	(342,745)	0	0	(342,745)
Transmitting Facilities	(932,188)	(74,659)	0	(1,006,847)
Head End Equipment	(4,743,211)	(577,005)	0	(5,320,216)
Distribution Facilities	(12,937,807)	(1,343,041)	83,500	(14,197,348)
General Plant	(1,051,183)	(177,998)	0	(1,229,181)
Total Accumulated Depreciation	(20,007,134)	(2,172,703)	83,500	(22,096,337)
Cable Plant Assets Being Depreciated, Net	15,494,159	(294,977)	(76,722)	15,122,460
Plant Assets, Net	\$ 15,737,837	\$ (211,938)	\$ (306,309)	\$ 15,219,590

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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, 2018 and 2017 was \$992,866 and \$989,622, 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.

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.

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

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, 2018 and 2017, respectively. As of December 31, 2018 and 2017, SELCO - Cable OPEB Trust Fund did not have any investments that were measured using Level 2 or Level 3 inputs.

	December 31, 2018 Quoted Prices in Active Markets for Identical Assets (All Level 1) <hr/>	December 31, 2017 Quoted Prices in Active Markets for Identical Assets (All Level 1) <hr/>
<u>FMV Investments:</u>		
Mutual Funds	\$ 992,866	\$ 989,622
	<hr/>	<hr/>

As of December 31, 2018 and 2017, 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.

The Trust has adopted GASB 74 for the year ending December 31, 2018, which introduces a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and OPEB expenses.

The following disclosures have been provided by the Actuary at the Plan Level.

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, 2018, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	11
Active plan members	<hr/> 30
	<hr/> <hr/> 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 annual contributes 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, 2017, 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, 2018, were as follows:

Total OPEB Liability	\$ 1,351,489
Fiduciary Net Position	<u>(1,046,024)</u>
Net OPEB Liability	<u>\$ 305,465</u>

Fiduciary net position as a percentage of the total OPEB liability was 77.40%.

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 2018 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	\$ 350,628	\$ 305,465	\$ 268,356

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

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

	1% Decrease 6% Year 1 <u>Decreasing to 4.5%</u>	Current Healthcare Cost Trend Rates 7% Year 1 <u>Decreasing to 4.5%</u>	1% Increase 8% Year 1 <u>Decreasing to 5.5%</u>
Net OPEB Liability	\$ 264,322	\$ 305,465	\$ 356,660

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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, the 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, 2018, OPEB plan membership consisted of the following:

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

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 year ending December 31, 2018 and the measurement date of June 30, 2018, total premiums plus implicit costs for the retiree medical program were \$131,231.

OPEB Liabilities

At December 31, 2018 and 2017, SELCO-Cable reported a liability of \$305,465 and \$244,075, respectively, for its net OPEB liability. The 2018 and 2017 net OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018.

OPEB Expense

For the year ended December 31, 2018, SELCO-Cable recognized OPEB Expense of \$74,658. At December 31, 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>	<u>2018</u>
Differences between expected and actual experience	\$ 121,052
Changes of assumptions	11,179
Net difference between projected and actual earnings on OPEB plan investments	<u>14,561</u>
	<u>\$ 146,792</u>

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

Deferred Inflows of Resources Related to OPEB

Net difference between projected and actual earnings on OPEB plan investments \$ 1,399

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

<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Year Ended December 31:		Year Ended December 31:	
2019	\$ 27,337	2019	\$ 466
2020	27,337	2020	466
2021	27,337	2021	<u>467</u>
2022	27,338		
2023	23,697	Total	\$ <u>1,399</u>
2024	<u>13,746</u>		
Total	\$ <u>146,792</u>		

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

NOTE 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.

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.

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NOTE 10 - PENSION PLAN (Continued):

Benefits Provided (continued)

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, 2018 and 2017 were \$229,710 and \$250,784, respectively which were paid during calendar years 2017 and 2016, respectively.

Pension Liabilities

At December 31, 2018 and 2017, SELCO - Cable reported a liability of \$155,299 and \$563,266, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2018 and January 1, 2017, respectively. SELCO - 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, 2017. SELCO - Cable's

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - PENSION PLAN (Continued):

Pension Liabilities (continued)

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, 2017. At the measured date of December 31, 2017 and 2016, SELCO - Cable's portion was 3.67% and 2.98%, respectively.

Pension Expense

For the years ended December 31, 2018 and 2017 SELCO - Cable recognized a pension expense of \$6,397 and \$52,623, respectively. For the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Differences between expected and actual experience	\$ 88,570	\$ 0
Net difference between projected and actual earnings on pension plan investments	107,750	183,844
Changes in proportion and differences between employer contributions and Department proportionate share	85,239	0
Department contributions subsequent to the measurement date	<u>246,722</u>	<u>229,710</u>
Total	<u>\$ 528,281</u>	<u>\$ 413,554</u>
 <u>Deferred Inflows of Resources Related to Pension</u>		
Changes of assumptions	\$ 15,003	\$ 17,191
Net difference between projected and actual earnings on pension plan investments	313,621	0
Net difference between projected and actual earnings on pension plan investments	54,731	62,712
Changes in proportion and differences between employer contributions and Department proportionate share	<u>61,450</u>	<u>82,533</u>
Total	<u>\$ 444,805</u>	<u>\$ 162,436</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$246,722 resulting from SELCO-Cable contributions paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in SELCO-Cable's pension expense in the table on the next page.

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NOTE 10 - PENSION PLAN (Continued):

Pension Expense (continued)

Deferred Outflows of Resources

Deferred Inflows of Resources

Year Ended December 31:

Year Ended December 31:

	2019	\$	56,206		2019	\$	87,833
	2020		56,206		2020		87,833
	2021		56,206		2021		87,833
	2022		56,206		2022		87,833
	2023		56,206		2023		87,833
	2024		<u>529</u>		2024		<u>5,640</u>
	Total	\$	<u>281,559</u>			\$	<u>444,805</u>

Actuarial Assumptions

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

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	The Actuarial Value of Assets is the market value as reported by the Public Employees' Retirement Administration Commission (PERAC).
Projected Salary Increases	3.5%.
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, 2017 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Weighted Average
Domestic Equity	40%	6.60%	2.60%
Fixed Income	22.50%	2.40%	0.54%
Foreign Equity	17.50%	3.70%	0.65%
Real Assets	10.00%	7.00%	0.70%
Private Equity	6%	11.10%	0.67%
Hedge Funds	4%	2.00%	0.08%
	100%		

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	\$ 686,641	\$ 155,299	\$ (293,127)

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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 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

SELCO - Cable is committed under long-term signal purchase contracts expiring on various dates through 2021. The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2018.

For the Year Ending December 31:	2019	\$	7,242,584
	2020		5,479,750
	2021		<u>4,759,148</u>
	Total	\$	<u>17,481,482</u>

Signal purchase expense under these contracts was \$7,944,541 and \$7,804,976 in 2018 and 2017, 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 was automatically extended thru October 2021 is \$33,860. 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, 2018 and 2017, SELCO - Cable considers its' pro rata share of these losses to be immaterial to its financial statements.

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Valuation Date	1/1/2018	1/1/2017	1/1/2016	1/1/2014
Measurement Date	12/31/2017	12/31/2016	12/31/2015	12/31/2014

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

Department's Portion of the NPL	3.67%	2.98%	3.79%	3.97%
Department's Proportionate Share of the NPL	\$ 155,299	\$ 563,266	\$ 791,516	\$ 854,978
Department's Total Employee Payroll	<u>2,476,913</u>	<u>2,431,932</u>	<u>2,286,821</u>	<u>2,299,139</u>
NPL as a Percentage of Total Employee Payroll	<u>6.27%</u>	<u>23.16%</u>	<u>34.61%</u>	<u>37.19%</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>16.80%</u>	<u>77.10%</u>	<u>82.46%</u>	<u>81.86%</u>

Schedule of Contributions:

Actuarially Determined Contributions	\$ 229,710	\$ 250,784	\$ 240,876	\$ 217,969
Less: Contributions in Relation to the Actuarially Determined Contribution	<u>(229,710)</u>	<u>(250,784)</u>	<u>(240,876)</u>	<u>(217,969)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's Total Employee Payroll	<u>\$ 2,476,913</u>	<u>\$ 2,431,932</u>	<u>\$ 2,286,821</u>	<u>\$ 2,299,139</u>
Contributions as a Percentage of the Department's Total Employee Payroll	<u>9.27%</u>	<u>10.31%</u>	<u>10.53%</u>	<u>9.48%</u>

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

See Independent Auditors' Report

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

OPERATING FUND & OPEB TRUST FUND

	<u>2018</u>	<u>(Town Wide) 2017</u>
Total OPEB Liability:		
Service Cost	\$ 32,924	\$ 1,543,475
Interest	85,173	3,438,194
Differences between Expected and Actual Experience	142,746	0
Changes of Assumptions	13,182	0
Benefit Payments	<u>(49,616)</u>	<u>(2,304,138)</u>
Net Change in Total OPEB Liability	224,409	2,677,531
Total OPEB Liability - Beginning	<u>1,127,080</u>	<u>45,430,360</u>
Total OPEB Liability - Ending	<u><u>\$ 1,351,489</u></u>	<u><u>\$ 48,107,891</u></u>
Plan Fiduciary Net Position:		
Contributions-Employer	\$ 157,466	\$ 2,391,572
Net Investment Income	52,108	317,312
Benefit Payments	<u>(46,556)</u>	<u>(2,059,702)</u>
Net Change in Plan Fiduciary Net Position	163,018	649,182
Plan Fiduciary Net Position - Beginning	<u>883,006</u>	<u>2,828,262</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 1,046,024</u></u>	<u><u>\$ 3,477,444</u></u>
Net OPEB Liability - Ending	<u><u>\$ 305,465</u></u>	<u><u>\$ 44,630,447</u></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 Cable 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) - CABLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS

OPERATING FUND & OPEB TRUST FUND

	2018	(Town Wide) 2017
Schedules of Net OPEB Liability:		
Total OPEB Liability	\$ 1,351,489	\$ 48,107,891
Plan Fiduciary Net Position	1,046,024	3,477,444
Net OPEB Liability	\$ 305,465	\$ 44,630,447
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	77.40%	7.23%
Total Department Payroll	\$ 2,359,320	\$ 67,279,575
Net OPEB Liability as a Percentage of Covered Payroll	12.95%	66.34%
Schedules of Employer Contributions:		
Actuarially Determined Contributions	\$ 157,466	\$ 2,391,572
Less: Contributions in relation to the actuarially determined contribution	(160,526)	(2,636,008)
Contribution Deficiency (Excess)	\$ (3,060)	\$ (244,436)
Covered Payroll	\$ 2,359,320	\$ 67,279,575
Contributions as a percentage of covered payroll	6.80%	3.92%

Schedules of Investment Returns:

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

Not Provided

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

Note: Starting in 2018 and continuing forward this schedule will show the 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 OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

OPERATING FUND

(As Revised)
2017

	<u>2018</u>			<u>2017</u>			Increase (Decrease)
	<u>Total</u>	<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>	<u>Operations</u>	<u>Maintenance</u>	
<u>Head End Expenses:</u>							
530 Supervision and Engineering	\$ 42,761	\$ 42,761	\$ 0	\$ 41,025	\$ 41,025	\$ 0	\$ 1,736
532 Labor	381,577	381,577	0	359,165	359,165	0	22,412
534 Station Power	1,668	1,668	0	862	862	0	806
542 Maintenance of Structures	2,531	0	2,531	7,049	0	7,049	(4,518)
546 Maintenance of Head End Apparatus	314,989	0	314,989	308,152	0	308,152	6,837
<u>Total Head End Expenses</u>	<u>743,526</u>	<u>426,006</u>	<u>317,520</u>	<u>716,253</u>	<u>401,052</u>	<u>315,201</u>	<u>27,273</u>
<u>Signal Expenses:</u>							
555 Signal Purchases	7,944,651	7,944,651	0	7,804,976	7,804,976	0	139,675
555 Internet Connectivity	334,186	334,186	0	345,106	345,106	0	(10,920)
555 Telephone Fees & Connectivity	487,874	487,874	0	441,703	441,703	0	46,171
<u>Total Signal Expenses</u>	<u>8,766,711</u>	<u>8,766,711</u>	<u>0</u>	<u>8,591,785</u>	<u>8,591,785</u>	<u>0</u>	<u>174,926</u>
<u>Transmitting Expenses:</u>							
562 Station Power	46,662	46,662	0	44,109	44,109	0	2,553
<u>Total Transmitting Expenses</u>	<u>46,662</u>	<u>46,662</u>	<u>0</u>	<u>44,109</u>	<u>44,109</u>	<u>0</u>	<u>2,553</u>
<u>Distribution Expenses:</u>							
583 Overhead Line Expenses	98,692	98,692	0	113,408	113,408	0	(14,716)
586 Converter Expense	17,757	17,757	0	15,116	15,116	0	2,641
587 Customer Installation Expense	660,972	660,972	0	710,686	710,686	0	(49,714)
591 Maintenance of Structures	110,546	0	110,546	84,791	0	84,791	25,755
593 Maintenance of Overhead Lines	187,627	0	187,627	181,622	0	181,622	6,005
<u>Total Distribution Expenses</u>	<u>1,075,594</u>	<u>777,421</u>	<u>298,173</u>	<u>1,105,623</u>	<u>839,210</u>	<u>266,413</u>	<u>(30,029)</u>
<u>Total to be Forwarded</u>	<u>\$ 10,632,493</u>	<u>\$ 10,016,800</u>	<u>\$ 615,693</u>	<u>\$ 10,457,770</u>	<u>\$ 9,876,156</u>	<u>\$ 581,614</u>	<u>\$ 174,723</u>

See Independent Auditors' Report

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

OPERATING FUND

(As Revised)
 2017

	<u>2018</u>			<u>2017</u>			Increase (Decrease)
	<u>Total</u>	<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>	<u>Operations</u>	<u>Maintenance</u>	
<u>Total Forwarded</u>	\$ 10,632,493	\$ 10,016,800	\$ 615,693	\$ 10,457,770	\$ 9,876,156	\$ 581,614	\$ 174,723
<u>Customer Accounts Expenses</u>							
903 Customer Records and Collection Expense	927,331	927,331	0	897,372	897,372	0	29,959
904 Uncollectible Accounts	72,694	72,694	0	103,267	103,267	0	(30,573)
<u>Total Customer Accounts Expenses</u>	1,000,025	1,000,025	0	1,000,639	1,000,639	0	(614)
<u>Sales Expense</u>							
913 Advertising Expense	98,263	98,263	0	90,918	90,918	0	7,345
<u>Total Sales Expenses</u>	98,263	98,263	0	90,918	90,918	0	7,345
<u>Administrative and General Expenses</u>							
920 Administrative and General Salaries	483,296	483,296	0	473,828	473,828	0	9,468
921 Office Supplies and Expenses	172,556	172,556	0	181,020	181,020	0	(8,464)
923 Outside Services Employed	105,301	105,301	0	76,735	76,735	0	28,566
924 Property Insurance	35,335	35,335	0	34,330	34,330	0	1,005
925 Injuries and Damages	19,846	19,846	0	18,444	18,444	0	1,402
926 Employee Pension and Benefits	453,080	453,080	0	462,324	462,324	0	(9,244)
930 Miscellaneous General Expenses	21,530	21,530	0	26,279	26,279	0	(4,749)
933 Transportation Expense	43,741	43,741	0	52,772	52,772	0	(9,031)
<u>Total Administrative and General Expenses</u>	1,334,685	1,334,685	0	1,325,732	1,325,732	0	8,953
<u>Community Access Programming Expenses</u>							
920 Administration and General Salaries	299,748	299,748	0	276,579	276,579	0	23,169
921 Office Supplies and Expense	0	0	0	456	456	0	(456)
930 Miscellaneous General Expenses	0	0	0	866	866	0	(866)
<u>Total Community Access Programming Expense</u>	299,748	299,748	0	277,901	277,901	0	21,847
<u>Total Operation and Maintenance Expenses</u>	<u>\$ 13,365,214</u>	<u>\$ 12,749,521</u>	<u>\$ 615,693</u>	<u>\$ 13,152,960</u>	<u>\$ 12,571,346</u>	<u>\$ 581,614</u>	<u>\$ 212,254</u>

See Independent Auditors' Report