

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

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

Independent Auditors’ Report	1,2
Management’s Discussion and Analysis	3-5
Financial Statements:	
Operating Fund:	
Statements of Net Position	6,7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9,10
Other Postemployment Benefits (OPEB) Trust Fund:	
Statements of Fiduciary Net Position	11
Statements of Changes in Fiduciary Net Position	11
Notes to the Financial Statements	12-27
Supplementary Information:	
Operating Fund:	
Required Supplementary Information – Net Pension Liability	28
Operating and OPEB Trust Fund:	
Required Supplementary Information – Other Postemployment Benefits	29,30
Notes to the Required Supplementary Information	31
Operating Fund:	
Schedules of Operation and Maintenance Expenses	32,33

**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, 2020 and 2019, 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 financial position of the Shrewsbury Electric and Cable Operations (SELCO) – Cable as of December 31, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2020 and 2019, and the changes in financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits and Net Pension Liability information on pages three through five and 28 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

April 14, 2021

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

Overview of the Financial Statements:

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

The Statements of Net Position are designed to indicate our financial position as of a specific point in time. At December 31, 2020 it shows that our net position increased 12.4% compared to the year ended December 31, 2019.

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, 2020 and 2019 was \$5,157,205 and \$3,679,584, 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, 2020.

Summary of Net Position

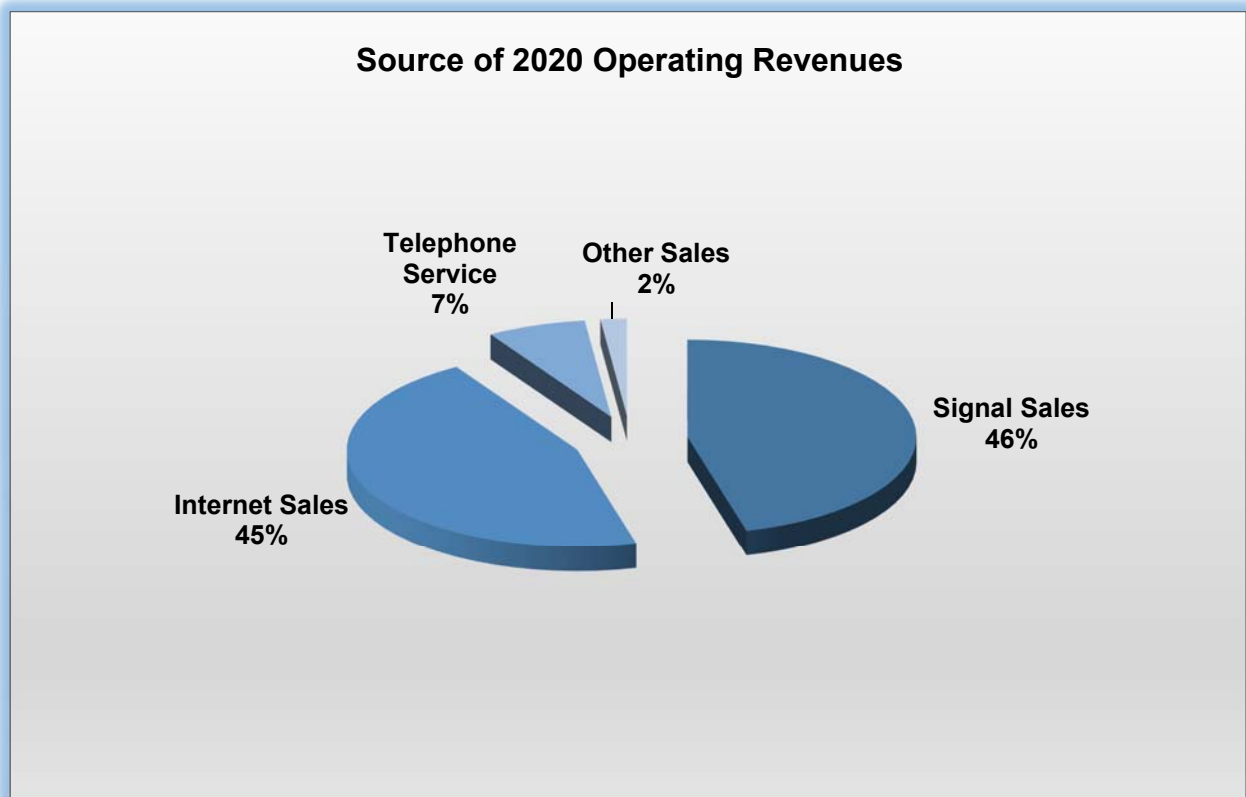
	2020	2019
Current Assets	\$ 33,333,192	\$ 28,762,234
Noncurrent Assets	15,445,132	14,503,492
Total Assets	48,778,324	43,265,726
Deferred Outflows of Resources	286,618	750,209
Total Assets and Deferred Outflows of Resources	\$ 49,064,942	\$ 44,015,935
Current Liabilities	\$ 1,619,109	\$ 1,279,644
Noncurrent Liabilities	397,355	697,194
Total Liabilities	2,016,464	1,976,838
Deferred Inflows of Resources	232,742	380,566
Net Position:		
Net Investment in Capital Assets	15,445,132	14,503,492
Unrestricted Net Position	31,370,604	27,155,039
Total Net Position	46,815,736	41,658,531
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 49,064,942	\$ 44,015,935

Summary of Changes in Net Position

	2020	2019
Operating Revenues	\$ 21,201,349	\$ 21,358,192
Operating Expenses	15,979,744	16,327,230
Operating Income	5,221,605	5,030,962
Non-Operating Revenues (Expenses)	(64,400)	(1,351,378)
Net Income	5,157,205	3,679,584
Net Position, January 1	41,658,531	37,978,947
Net Position, December 31	\$ 46,815,736	\$ 41,658,531

Financial Highlights:

Operating revenues decreased by \$156,843 or less than a percentage point in 2020 as compared to 2019. A decrease in signal sales of \$703,324 was the result of a loss of about 770 basic subscribers. There were 379 new subscribers added to SELCO – Cable’s internet service, attributing to a \$676,916 increase in internet sales over 2019. SELCO - Cable’s telephone service lost approximately 177 customers over the course of the year resulting in an \$87,574 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 2020 was \$941,640 more 2019. This increase can be calculated by taking the 2020 net current year additions of \$3,357,289 and deducting both the net annual depreciation expense of \$2,325,353, and the 2020 loss on disposal of Cable Plant of \$90,296. For purposes of the income statement the loss on disposals is calculated at \$64,400, which is the net of the disposals from Cable Plant and the gain on two disposals.

The Fiber to the Premises (FTTP) project began in 2020. Slightly more than \$1.7 million was spent which represented 51% of the 2020 fixed asset additions.

During 2020, the cost of digital converters and cable and telephone modems along with annual improvements to the distribution infrastructure amounted to approximately \$1,091,222, which accounted for 32% of current year additions. Approximately 379 cable modems and were installed in 2020. 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 \$305,973 in 2020 capital additions, representing approximately 9% 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 2020 SELCO – Cable paid the Town \$800,000 for Cable Franchise Fees. During 2020 SELCO – Cable paid Shrewsbury Media Connection \$426,244 for Cable Franchise Fees. For 2019 the fees paid were \$800,000 and \$443,582 respectively.

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

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 31,378,162	\$ 26,798,137
Accounts Receivable Customers, Net	1,424,561	1,403,790
Other Accounts Receivable	17,338	83,670
Materials and Supplies	204,446	350,949
Prepayments	308,685	125,688
TOTAL CURRENT ASSETS	33,333,192	28,762,234
NONCURRENT ASSETS:		
Cable Plant Assets, Net	15,445,132	14,503,492
TOTAL ASSETS	48,778,324	43,265,726
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	58,114	616,475
Deferred Outflows of Resources Related to OPEB	228,504	133,734
TOTAL DEFERRED OUTFLOWS OF RESOURCES	286,618	750,209
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 49,064,942	\$ 44,015,935

See Accompanying Notes to the Financial Statements

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

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2020	2019
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,290,537	\$ 1,166,991
Due to SELCO - Electric	328,572	112,653
	1,619,109	1,279,644
TOTAL CURRENT LIABILITIES	1,619,109	1,279,644
NONCURRENT LIABILITIES:		
Other Postemployment Benefits Liability	397,355	263,445
Net Pension Liability	0	433,749
	397,355	697,194
TOTAL NONCURRENT LIABILITIES	397,355	697,194
TOTAL LIABILITIES	2,016,464	1,976,838
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	171,964	328,349
Deferred Inflows of Resources Related to OPEB	60,778	52,217
	232,742	380,566
TOTAL DEFERRED INFLOWS OF RESOURCES	232,742	380,566
NET POSITION:		
Invested in Capital Assets	15,445,132	14,503,492
Unrestricted Net Position	31,370,604	27,155,039
	46,815,736	41,658,531
TOTAL NET POSITION	46,815,736	41,658,531
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 49,064,942	\$ 44,015,935

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, 2020 AND 2019

OPERATING FUND

	2020	2019
OPERATING REVENUES:		
Signal Sales	\$ 9,727,776	\$ 10,431,100
Internet Sales	9,608,530	8,931,614
Telephone Service	1,473,209	1,560,783
Additional Outlet Sales	30,586	34,340
Other Operating Revenue	361,248	400,355
 TOTAL OPERATING REVENUES	 21,201,349	 21,358,192
OPERATING EXPENSES:		
Operations	11,530,169	12,158,405
Maintenance	897,978	688,261
Cable Franchise and Local Access Fees - Town	1,226,244	1,243,582
Depreciation	2,325,353	2,236,982
 TOTAL OPERATING EXPENSES	 15,979,744	 16,327,230
 OPERATING INCOME	 5,221,605	 5,030,962
NONOPERATING INCOME (EXPENSE):		
Loss on Disposal of Equipment	(64,400)	(1,351,378)
 NET INCOME	 5,157,205	 3,679,584
 NET POSITION, JANUARY 1	 41,658,531	 37,978,947
 NET POSITION, DECEMBER 31	 \$ 46,815,736	 \$ 41,658,531

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, 2020 AND 2019

OPERATING FUND

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 21,254,033	\$ 21,343,419
Cash Paid to Suppliers	(10,190,330)	(9,819,574)
Cash Paid to Employees	(2,462,467)	(2,545,917)
Cash Paid for Benefits	327,630	(366,279)
Cable Franchise and Local Access Fees - Town	(1,226,244)	(1,243,582)
Net Cash Provided by Operating Activities	7,702,622	7,368,067
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts (Repayments) to/from SELCO - Electric	215,919	73,319
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Proceeds from Disposal of Fixed Assets	19,500	3,886
Payments to Shrewsbury Media Connection	0	(721,241)
Additions to Cable Plant	(3,358,016)	(2,060,908)
Net Cash Used by Capital and Financing Activities	(3,338,516)	(2,778,263)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,580,025	4,663,123
CASH, Beginning of Year	26,798,137	22,135,014
CASH, End of Year	\$ 31,378,162	\$ 26,798,137

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, 2020 AND 2019

OPERATING FUND

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 5,221,605	\$ 5,030,962
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,325,353	2,236,982
Amortization of Deferred Revenue	0	(43,290)
Allowance for Doubtful Accounts	38,000	3,000
Pension Expense	(31,773)	73,801
Other Postemployment Benefits Expense	104,127	86,084
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(58,771)	70,206
Other Accounts Receivable	73,455	(44,689)
Materials and Supplies	146,503	103,965
Prepaid Expenses	(182,997)	(30,409)
Increase (Decrease) in Liabilities:		
Accounts Payable	123,546	(3,033)
Other Postemployment Benefits Liability	(56,426)	(115,512)
Net Cash Provided by Operating Activities	\$ 7,702,622	\$ 7,368,067

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.

	2020	2019
Funds for General Operation	\$ 31,378,162	\$ 26,798,137

See Accompanying Notes to the Financial Statements

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2020	2019
ASSETS		
Funds on Deposit with Town Treasurer		
Investments	\$ 1,316,709	\$ 1,163,256
FIDUCIARY NET POSITION		
FIDUCIARY NET POSITION - Restricted	\$ 1,316,709	\$ 1,163,256

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

	2020	2019
Contributions	\$ 4,577	\$ 12,379
Investment Income	148,876	158,011
CHANGES IN FIDUCIARY NET POSITION	153,453	170,390
FIDUCIARY NET POSITION - January 1,	1,163,256	992,866
FIDUCIARY NET POSITION - December 31,	\$ 1,316,709	\$ 1,163,256

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, 2020 AND 2019

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 2020 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, 2020 AND 2019

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 \$156,000 for 2020 and \$118,000 for 2019.

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 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, 2020 AND 2019

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

Revenue Recognition (continued)

Telephone service customers receive unlimited local and long distance calling to United States and Canada, 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.

Advertising Costs

SELCO - Cable expenses advertising costs as incurred. Advertising expense was \$12,244 and \$64,707 for the years ended December 31, 2020 and 2019, 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 \$130,422 and \$121,578 at December 31, 2020 and 2019, 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 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.

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

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

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.

	2020	2019
Advertising Receivables	\$ 10,216	\$ 26,823
Other Receivables	7,122	56,847
	\$ 17,338	\$ 83,670

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. Total payment related to the annual franchise agreement for the years ended December 31, 2020 and 2019 was \$800,000. SELCO also pays annually Shrewsbury Media Connection for public access television which amounted to \$426,244 and \$443,582 for the years ended December 31, 2020 and 2019, 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.

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

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued):

In 2020 and 2019 SELCO - Cable paid the Town amounts of \$1,225,557 and \$1,182,692, 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, 2020 and 2019, the outstanding balances payable to the Town were \$91,489 and \$116,712, respectively.

NOTE 6 - CABLE PLANT ASSETS:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 0	\$ 1,715,382	\$ 0	\$ 1,715,382
Capital Assets Being Depreciated:				
Intangible Plant	342,745	0	0	342,745
Transmitting Plant	283,669	2,041	0	285,710
Head End Equipment	11,697,931	305,973	(19,900)	11,984,004
Distribution Facilities	23,065,033	1,091,222	(221,618)	23,934,637
General Plant	<u>2,475,657</u>	<u>242,671</u>	<u>(48,346)</u>	<u>2,669,982</u>
Total Capital Assets Being Depreciated	<u>37,865,035</u>	<u>1,641,907</u>	<u>(289,864)</u>	<u>39,217,078</u>
Less Accumulated Depreciation for:				
Intangible Plant	(342,745)	0	0	(342,745)
Transmitting Plant	(224,830)	(7,680)	0	(232,510)
Head End Equipment	(5,905,843)	(584,899)	3,483	(6,487,259)
Distribution Facilities	(15,449,004)	(1,492,394)	147,738	(16,793,660)
General Plant	<u>(1,439,121)</u>	<u>(240,380)</u>	<u>48,347</u>	<u>(1,631,154)</u>
Total Accumulated Depreciation	<u>(23,361,543)</u>	<u>(2,325,353)</u>	<u>199,568</u>	<u>(25,487,328)</u>
Capital Assets Being Depreciated, Net	<u>14,503,492</u>	<u>(683,446)</u>	<u>(90,296)</u>	<u>13,729,750</u>
Utility Plant Assets, Net	<u>\$ 14,503,492</u>	<u>\$ 1,031,936</u>	<u>\$ (90,296)</u>	<u>\$ 15,445,132</u>

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

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS:

	2020	2019
Cost of Capital Assets Acquired	\$ 40,932,460	\$ 37,865,035
Less: Accumulated Depreciation	(25,487,328)	(23,361,543)
Net Investment in Capital Assets	\$ 15,445,132	\$ 14,503,492

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, 2020 and 2019 was \$1,316,709 and \$1,163,256, 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.

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

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

Description	December 31, 2020 Quoted Prices in Active Markets for Identical Assets (All Level 1)	December 31, 2019 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>Investments at FMV:</u>		
Mutual Funds	\$ 1,264,369	\$ 1,157,556
<u>Other Securities:</u>		
Money Market	52,340	5,700
Total	\$ 1,316,709	\$ 1,163,256

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

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

Plan Administration

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

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

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

Plan Membership

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

Inactive plan members or beneficiaries currently receiving benefits payments	12
Active plan members	<u>28</u>
	<u>40</u>

Benefits Provided

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

Contributions

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

Investment Policy

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

Rate of Return

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

Net OPEB Liability of the Plan

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

	<u>2020</u>	<u>2019</u>
Total OPEB Liability	\$ 1,544,068	\$ 1,436,079
Fiduciary Net Position	<u>(1,146,713)</u>	<u>(1,172,634)</u>
Net OPEB Liability	<u>\$ 397,355</u>	<u>\$ 263,445</u>

Fiduciary net position as a percentage of the total OPEB liability was 74.27% and 81.66% for June 30, 2020 and 2019, respectively.

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

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

Actuarial Assumptions

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

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

The long-term expected rate of return 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net OPEB Liability	\$ 456,643	\$ 397,355	\$ 348,654

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 3.5%	Current Healthcare Cost Trend Rates 4.5%	1% Increase 5.5%
Net OPEB Liability	\$ 343,315	\$ 397,355	\$ 464,614

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

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

Plan Description

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

Plan Membership

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

Inactive plan members or beneficiaries currently receiving benefits	12
Active plan members	28
Total Number of Participants	40

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, 2020 and 2019 and the measurement dated of June 30, 2020 and 2019, respectively, total premiums plus implicit costs for the retiree medical program was \$51,849.

OPEB Liabilities

At December 31, 2020 and 2019, SELCO-Cable reported a liability of \$397,355 and \$263,445, respectively, for its net OPEB liability. The 2020 and 2019 net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of July 1, 2020 and July 1, 2018, respectively.

OPEB Expense

For the years ended December 31, 2020 and 2019, SELCO-Cable recognized OPEB Expense of \$104,128 and \$86,084, respectively. At December 31, 2020 and 2019, 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>	2020	2019
Differences between expected and actual experience	\$ 77,664	\$ 99,358
Changes of assumptions	80,496	9,176
Net difference between projected and actual earnings on OPEB plan investments	70,344	25,200
	\$ 228,504	\$ 133,734

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

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

OPEB Expense (continued)

Deferred Inflows of Resources Related to OPEB

	2020	2019
Net difference between projected and actual earnings on OPEB plan investments	\$ 467	\$ 933
Differences between expected and actual experience	60,311	0
SELCO - Cable withdrawals subsequent to the measurement date	0	51,284
	\$ 60,778	\$ 52,217

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:

Deferred Outflows of Resources

Deferred Inflows of Resources

Years Ended December 31:

Years Ended December 31:

2021	\$	57,400
2022		57,400
2023		53,759
2024		30,720
2025		22,926
Thereafter		6,299
Total	\$	228,504

2021	\$	11,493
2022		11,026
2023		11,026
2024		11,026
2025		11,026
Thereafter		5,181
Total	\$	60,778

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.

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

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, 2020 and 2019 were \$0 and \$246,722, respectively which were paid during calendar years 2019 and 2018, respectively.

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

NOTE 10 - PENSION PLAN (Continued):

Pension Liabilities

At December 31, 2020 and 2019, SELCO - Cable reported a liability of \$0 and \$433,749, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2020 and January 1, 2018, 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, 2019 and 2018. 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, 2019 and 2018. At the measured date of December 31, 2019 and 2018, SELCO - Cable's portion was 0.00% and 3.92%, respectively.

Pension Expense

For the years ended December 31, 2020 and 2019, SELCO - Cable recognized a pension expense (revenue) of (\$31,733) and \$73,801, respectively. For the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 0	\$ 64,659
Net difference between projected and actual earnings on pension plan investments	0	468,637
Changes in proportion and differences between employer contributions and Department proportionate share	<u>58,114</u>	<u>83,179</u>
Total	<u>\$ 58,114</u>	<u>\$ 616,475</u>
 <u>Deferred Inflows of Resources Related to Pension</u>		
Changes of assumptions	\$ 0	\$ 9,449
Net difference between projected and actual earnings on pension plan investments	0	244,062
Differences between expected and actual experience	0	34,471
Changes in proportion and differences between employer contributions and Department proportionate share	<u>171,964</u>	<u>40,367</u>
Total	<u>\$ 171,964</u>	<u>\$ 328,349</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.

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

NOTE 10 - PENSION PLAN (Continued):

Pension Expense (continued)

Net Deferred Outflows and Inflows of Resources Related to Pensions

Years Ended December 31:

2020	\$	(29,976)
2021		(10,692)
2022		(28,398)
2023		(35,132)
2024		<u>(9,652)</u>
	<u>\$</u>	<u>(113,850)</u>

Actuarial Assumptions

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

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	The Actuarial Value of Assets is the market value as reported by the Public Employees' Retirement Administration Commission (PERAC).
Inflation 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 various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2018 improvements until 2025.
Investment Rate of Return	7.5%, per year

Investment Policy

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

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

NOTE 10 - PENSION PLAN (Continued):

Investment Policy (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	15.0%	5.9%
Medium Capital	10.0%	8.8%
Small Capital	8.0%	7.2%
International Equities	10.0%	3.8%
Emerging Market Equities	6.0%	9.3%
Real Assets	15.0%	6.6%
Core Fixed Income	11.0%	6.0%
High Yield Fixed Income	11.0%	2.9%
Private Equity	5.5%	9.9%
Hedge Funds	6.5%	1.5%
Timberlands	2.0%	3.9%
	<u>100.0%</u>	

Discount Rate

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

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

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

	1% Decrease <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Proportionate share of the Net Pension Liability	\$ 0	\$ 0	\$ 0

Pension Plan Fiduciary Net Position

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

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

SELCO - Cable is committed under long-term signal purchase contracts expiring on various dates through 2025. The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2020.

For the Years Ending December 31:	2021	\$	9,347,392
	2022		5,160,651
	2023		4,291,636
	2024		1,328,436
	2025		<u>408,131</u>
	Total	\$	<u>20,536,246</u>

Signal purchase expense under these contracts was \$7,172,980 and \$7,680,168 in 2020 and 2019, 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 was \$37,000 and \$35,922 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, SELCO - Cable considers its' pro rata share of these losses to be immaterial to its financial statements.

NOTE 14 - SUBSEQUENT EVENT:

Management has evaluated subsequent events through April 14, 2021 the date on which the financial statements were available to be issued. On January 28, 2021 SELCO – Cable went out to bond in the amount of \$15 million dollars for a new fiber to the home project.

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,	2020	2019	2018	2017	2016	2015
Actuarial Valuation Date	1/1/2020	1/1/2018	1/1/2018	1/1/2017	1/1/2016	1/1/2015
Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Schedule of the SELCO - Cable's Proportionate Share of the Net Pension Liability (NPL):						
SELCO - Cable's Portion of the NPL	0.00%	3.92%	3.67%	2.98%	3.79%	3.97%
SELCO - Cable's Proportionate Share of the NPL	\$ 0	\$ 433,749	\$ 155,299	\$ 563,266	\$ 791,516	\$ 854,978
SELCO - Cable's Total Employee Payroll	\$ 2,462,467	\$ 2,545,917	\$ 2,476,913	\$ 2,431,932	\$ 2,286,821	\$ 2,299,139
NPL as a Percentage of Total Employee Payroll	0.00%	17.04%	6.27%	23.16%	34.61%	37.19%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	97.90%	91.68%	96.73%	77.10%	82.46%	81.86%
Schedule of Contributions:						
Actuarially Determined Contributions	\$ 0	\$ 246,722	\$ 229,710	\$ 250,784	\$ 240,876	\$ 217,969
Less: Contributions in Relation to the Actuarially Determined Contribution	0	(246,722)	(229,710)	(250,784)	(240,876)	(217,969)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
SELCO - Cable's Total Employee Payroll	\$ 2,462,467	\$ 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	0.00%	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

	2020	2019	2018	(Town Wide) 2017
Total OPEB Liability:				
Service Cost	\$ 35,954	\$ 34,406	\$ 32,924	\$ 1,543,475
Interest	108,494	102,033	85,173	3,438,194
Differences between Expected and Actual Experience	(71,338)	0	142,746	0
Changes of Assumptions	86,728	0	13,182	0
Benefit Payments	(51,849)	(51,849)	(49,616)	(2,304,138)
Net Change in Total OPEB Liability	<u>107,989</u>	<u>84,590</u>	<u>224,409</u>	<u>2,677,531</u>
Total OPEB Liability - Beginning	<u>1,436,079</u>	<u>1,351,489</u>	<u>1,127,080</u>	<u>45,430,360</u>
Total OPEB Liability - Ending	<u><u>\$ 1,544,068</u></u>	<u><u>\$ 1,436,079</u></u>	<u><u>\$ 1,351,489</u></u>	<u><u>\$ 48,107,891</u></u>
Plan Fiduciary Net Position:				
Contributions-Employer	\$ 829	\$ 112,314	\$ 157,466	\$ 2,391,572
Net Investment Income	20,786	62,947	52,108	317,312
Benefit Payments	(47,536)	(48,651)	(46,556)	(2,059,702)
Net Change in Plan Fiduciary Net Position	<u>(25,921)</u>	<u>126,610</u>	<u>163,018</u>	<u>649,182</u>
Plan Fiduciary Net Position - Beginning	<u>1,172,634</u>	<u>1,046,024</u>	<u>883,006</u>	<u>2,828,262</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 1,146,713</u></u>	<u><u>\$ 1,172,634</u></u>	<u><u>\$ 1,046,024</u></u>	<u><u>\$ 3,477,444</u></u>
Net OPEB Liability - Ending	<u><u>\$ 397,355</u></u>	<u><u>\$ 263,445</u></u>	<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			
	2020	2019	2018	(Town Wide) 2017
Schedules of Net OPEB Liability:				
Total OPEB Liability	\$ 1,544,068	\$ 1,436,079	\$ 1,351,489	\$ 48,107,891
Plan Fiduciary Net Position	1,146,713	1,172,634	1,046,024	3,477,444
Net OPEB Liability	<u>\$ 397,355</u>	<u>\$ 263,445</u>	<u>\$ 305,465</u>	<u>\$ 44,630,447</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	74.27%	81.66%	77.40%	7.23%
Covered Payroll	\$ 2,184,481	\$ 2,441,896	\$ 2,359,320	\$ 67,279,575
Net OPEB Liability as a Percentage of Covered Payroll	18.19%	10.79%	12.95%	66.34%
Schedules of Employer Contributions:				
Actuarially Determined Contributions	\$ 110,817	\$ 93,378	\$ 89,621	\$ 2,391,572
Less: Contributions in relation to the actuarially determined contribution	<u>(829)</u>	<u>(112,314)</u>	<u>(157,466)</u>	<u>(2,636,008)</u>
Contribution Deficiency (Excess)	<u>\$ 109,988</u>	<u>\$ (18,936)</u>	<u>\$ (67,845)</u>	<u>\$ (244,436)</u>
Covered Payroll	\$ 2,184,481	\$ 2,441,896	\$ 2,359,320	\$ 67,279,575
Contributions as a percentage of covered payroll	0.04%	4.60%	6.67%	3.92%
Schedules of Investment Returns:				
Annual Money-Weighted rate of Return, net of investment expenses	Not Provided	Not Provided	Not Provided	Not Provided

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

Note: Starting in 2018 and continuing forward this schedule will show the 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
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

OPERATING FUND & OPEB TRUST FUND

NOTE A - PENSION BENEFITS:

Changes in Assumptions

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

NOTE B - OTHER POST EMPLOYMENT BENEFITS:

Changes in Assumptions

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

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

OPERATING FUND

	<u>2020</u>			<u>2019</u>			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Head End Expenses:</u>							
530 Supervision and Engineering	\$ 46,135	\$ 46,135	\$ 0	\$ 44,639	\$ 44,639	\$ 0	\$ 1,496
532 Labor	367,952	367,952	0	374,287	374,287	0	(6,335)
534 Station Power	1,216	1,216	0	1,399	1,399	0	(183)
542 Maintenance of Structures	10,324	0	10,324	6,739	0	6,739	3,585
546 Maintenance of Head End Apparatus	345,046	0	345,046	348,677	0	348,677	(3,631)
<u>Total Head End Expenses</u>	<u>770,673</u>	<u>415,303</u>	<u>355,370</u>	<u>775,741</u>	<u>420,325</u>	<u>355,416</u>	<u>(5,068)</u>
<u>Signal Expenses:</u>							
555 Signal Purchases	7,172,980	7,172,980	0	7,680,168	7,680,168	0	(507,188)
555 Internet Connectivity	367,004	367,004	0	321,263	321,263	0	45,741
555 Telephone Fees & Connectivity	435,304	435,304	0	479,742	479,742	0	(44,438)
<u>Total Signal Expenses</u>	<u>7,975,288</u>	<u>7,975,288</u>	<u>0</u>	<u>8,481,173</u>	<u>8,481,173</u>	<u>0</u>	<u>(505,885)</u>
<u>Transmitting Expenses:</u>							
562 Station Power	48,699	48,699	0	48,524	48,524	0	175
<u>Distribution Expenses:</u>							
583 Overhead Line Expenses	55,930	55,930	0	104,527	104,527	0	(48,597)
586 Converter Expense	20,083	20,083	0	17,659	17,659	0	2,424
587 Customer Installation Expense	559,708	559,708	0	630,357	630,357	0	(70,649)
591 Maintenance of Structures	63,609	0	63,609	96,641	0	96,641	(33,032)
593 Maintenance of Overhead Lines	450,786	0	450,786	206,590	0	206,590	244,196
594 Maintenance of Overhead Lines	28,213	0	28,213	29,614	0	29,614	(1,401)
<u>Total Distribution Expenses</u>	<u>1,178,329</u>	<u>635,721</u>	<u>542,608</u>	<u>1,085,388</u>	<u>752,543</u>	<u>332,845</u>	<u>92,941</u>
<u>Total to be Forwarded</u>	<u>\$ 9,972,989</u>	<u>\$ 9,075,011</u>	<u>\$ 897,978</u>	<u>\$ 10,390,826</u>	<u>\$ 9,702,565</u>	<u>\$ 688,261</u>	<u>\$ (417,837)</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, 2020 AND 2019

OPERATING FUND

	<u>2020</u>			<u>2019</u>			Increase (Decrease)
	Total	Operations	Maintenance	Total	Operations	Maintenance	
<u>Total Forwarded</u>	\$ 9,972,989	\$ 9,075,011	\$ 897,978	\$ 10,390,826	\$ 9,702,565	\$ 688,261	\$ (417,837)
<u>Customer Accounts Expenses</u>							
903 Customer Records and Collection Expense	919,953	919,953	0	912,099	912,099	0	7,854
904 Uncollectible Accounts	63,539	63,539	0	81,867	81,867	0	(18,328)
<u>Total Customer Accounts Expenses</u>	983,492	983,492	0	993,966	993,966	0	(10,474)
<u>Sales Expense</u>							
913 Advertising Expense	12,244	12,244	0	64,707	64,707	0	(52,463)
<u>Administrative and General Expenses</u>							
920 Administrative and General Salaries	519,111	519,111	0	497,454	497,454	0	21,657
921 Office Supplies and Expenses	152,473	152,473	0	151,748	151,748	0	725
923 Outside Services Employed	117,311	117,311	0	80,246	80,246	0	37,065
924 Property Insurance	71,192	71,192	0	45,785	45,785	0	25,407
925 Injuries and Damages	18,913	18,913	0	18,476	18,476	0	437
926 Employee Pension and Benefits	464,139	464,139	0	517,847	517,847	0	(53,708)
930 Miscellaneous General Expenses	61,773	61,773	0	33,378	33,378	0	28,395
933 Transportation Expense	54,510	54,510	0	52,233	52,233	0	2,277
<u>Total Administrative and General Expenses</u>	1,459,422	1,459,422	0	1,397,167	1,397,167	0	62,255
<u>Total Operation and Maintenance Expenses</u>	\$ 12,428,147	\$ 11,530,169	\$ 897,978	\$ 12,846,666	\$ 12,158,405	\$ 688,261	\$ (418,519)

See Independent Auditors' Report