

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE
OPERATIONS (SELCO)-CABLE
Financial Statements
December 31, 2016 and 2015

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE
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DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the respective changes in financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Shrewsbury Electric and Cable Operations (SELCO) – Cable and do not purport to, and do not, present fairly the financial position of the Town of Shrewsbury, Massachusetts, as of December 31, 2016 and 2015, and the changes in financial position, or, where applicable, its cash flows for the years then ended in conformity 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 evidence sufficient 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 26 and 27 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
June 19, 2017

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, 2016 and 2015. SELCO – Cable’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. As of December 31, 2016, it showed that our net position increased \$3,795,099, or 14.92% compared to the year ended December 31, 2015.

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 years ended December 31, 2016 and 2015 was \$3,795,099 and \$2,925,685, 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, debt service and plant additions for the year ended December 31, 2016.

Summary of Net Position

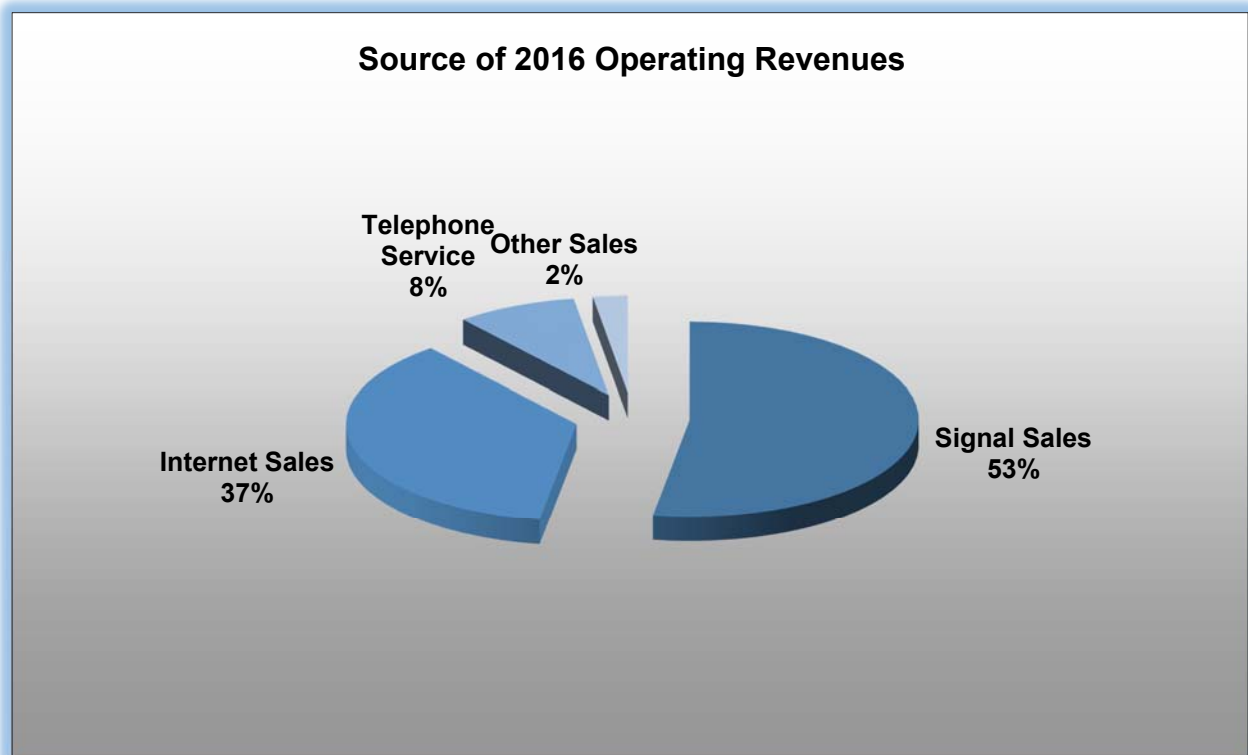
	2016	2015
Current Assets	\$ 15,280,341	\$ 11,408,829
Noncurrent Assets	15,933,490	16,303,779
Total Assets	31,213,831	27,712,608
Deferred Outflows of Resources	451,476	240,876
Total Assets and Deferred Outflows of Resources	\$ 31,665,307	\$ 27,953,484
Current Liabilities	\$ 1,193,251	\$ 1,150,871
Noncurrent Liabilities	1,090,954	1,335,593
Total Liabilities	2,284,205	2,486,464
Deferred Inflows of Resources	149,195	30,212
Net Position:		
Net Investment in Capital Assets	15,933,490	16,303,779
Unrestricted Net Position	13,298,417	9,133,029
Total Net Position	29,231,907	25,436,808
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 31,665,307	\$ 27,953,484

Summary of Changes in Net Position

	2016	2015
Operating Revenues	\$ 19,518,354	\$ 18,977,283
Operating Expenses	15,642,552	16,029,632
Operating Income	3,875,802	2,947,651
Non-Operating Revenues Less Non-Operating Expenses	(80,703)	(21,966)
Net Income	3,795,099	2,925,685
Net Position, January 1	25,436,808	22,511,123
Net Position, December 31	\$ 29,231,907	\$ 25,436,808

Financial Highlights:

Operating revenues increased by \$541,071 or 2.8% in 2016. An increase in Signal Sales of \$69,625 was the result of a rate increase that was implemented in April of 2016 tempered with the loss of about 565 basic subscribers. There were 291 new subscribers added to SELCO – Cable’s internet service, attributing to a \$646,747 increase in internet sales over 2015. In its tenth full year of operation SELCO - Cable’s Telephone Service increased the discount for residential subscribers by an additional \$5.00 in March of 2016. SELCO – Cable also reduced the commercial additional line fee by \$20.00 effective May 1st of 2016. These discounts were made possible by the lower rates that SELCO negotiated with their new telephone service provider.



* 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 \$370,289 from 2015. This decrease is the difference between the net current year additions of \$1,913,430 and the net annual depreciation expense of \$2,203,016, coupled with a loss on disposal of converters in the amount of \$80,703. During 2016, the cost of digital converters and cable and telephone modems along with annual improvements to the distribution infrastructure amounted to approximately \$1,299,389, which accounted for 68% of current year additions. Approximately 305 cable modems were installed during 2016. 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 \$317,598 in 2016 capital additions, representing 17% 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, 2016 AND 2015

OPERATING FUND

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Cash	\$ 13,405,609	\$ 9,624,887
Accounts Receivable Customers, Net	1,364,702	1,346,123
Other Accounts Receivable	46,360	33,587
Materials and Supplies	376,988	288,186
Prepayments	<u>86,682</u>	<u>116,046</u>
 TOTAL CURRENT ASSETS	 <u>15,280,341</u>	 <u>11,408,829</u>
NONCURRENT ASSETS:		
Cable Plant Assets, Net	<u>15,933,490</u>	<u>16,303,779</u>
 TOTAL NONCURRENT ASSETS	 <u>15,933,490</u>	 <u>16,303,779</u>
 TOTAL ASSETS	 <u>31,213,831</u>	 <u>27,712,608</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pensions	<u>451,476</u>	<u>240,876</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 31,665,307</u>	 <u>\$ 27,953,484</u>

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

OPERATING FUND

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 993,747	\$ 1,013,850
Due to SELCO - Electric	147,556	85,073
Current Portion of Unearned Revenue	<u>51,948</u>	<u>51,948</u>
 TOTAL CURRENT LIABILITIES	 <u>1,193,251</u>	 <u>1,150,871</u>
NONCURRENT LIABILITIES:		
Other Postemployment Benefits Obligation	204,200	333,428
Unearned Revenue, Net of Current Portion	95,238	147,186
Net Pension Liability	<u>791,516</u>	<u>854,979</u>
 TOTAL NONCURRENT LIABILITIES	 <u>1,090,954</u>	 <u>1,335,593</u>
 TOTAL LIABILITIES	 <u>2,284,205</u>	 <u>2,486,464</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pensions	<u>149,195</u>	<u>30,212</u>
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	15,933,490	16,303,779
Unrestricted Net Position	<u>13,298,417</u>	<u>9,133,029</u>
 TOTAL NET POSITION	 <u>29,231,907</u>	 <u>25,436,808</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u>\$ 31,665,307</u>	 <u>\$ 27,953,484</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, 2016 AND 2015

OPERATING FUND

	2016	2015
OPERATING REVENUES:		
Signal Sales	\$ 10,258,304	\$ 10,188,679
Internet Sales	7,129,522	6,482,775
Telephone Service	1,680,075	1,875,956
Additional Outlet Sales	42,617	45,049
Other Operating Revenue	407,836	384,824
 TOTAL OPERATING REVENUES	 19,518,354	 18,977,283
OPERATING EXPENSES:		
Operations	12,127,166	12,612,150
Maintenance	512,370	536,316
Cable Franchise Fees - Town	800,000	800,000
Depreciation	2,203,016	2,081,166
 TOTAL OPERATING EXPENSES	 15,642,552	 16,029,632
 OPERATING INCOME	 3,875,802	 2,947,651
NONOPERATING INCOME (EXPENSE):		
Loss on Disposal of Equipment	(80,703)	(21,966)
 TOTAL NONOPERATING INCOME (EXPENSE)	 (80,703)	 (21,966)
 NET INCOME	 3,795,099	 2,925,685
 NET POSITION, JANUARY 1	 25,436,808	 22,511,123
 NET POSITION, DECEMBER 31	 \$ 29,231,907	 \$ 25,436,808

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, 2016 AND 2015

OPERATING FUND

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 19,435,054	\$ 18,822,552
Cash Paid to Suppliers	(10,108,677)	(10,228,682)
Cash Paid to Employees	(2,138,254)	(2,152,564)
Cash Paid for Benefits	(670,156)	(675,846)
Cable Franchise Fees - Town	(800,000)	(800,000)
Net Cash Provided by Operating Activities	5,717,967	4,965,460
CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES:		
Repayment (to) from SELCO - Electric	62,483	(28,283)
Total Cash Flows Provided (Used) by Non-Capital Financing Activities	62,483	(28,283)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer to OPEB Trust Fund	(86,298)	(90,384)
CASH FLOWS USED BY CAPITAL AND FINANCING ACTIVITIES:		
Additions to Cable Plant	(1,913,430)	(1,924,084)
Total Cash Flows Used by Capital Financing Activities	(1,913,430)	(1,924,084)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,780,722	2,922,709
CASH, Beginning of Year	9,624,887	6,702,178
CASH, End of Year	\$ 13,405,609	\$ 9,624,887

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, 2016 AND 2015

OPERATING FUND

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 3,875,802	\$ 2,947,651
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,203,016	2,081,166
Amortization of Deferred Revenue	(51,948)	(51,948)
Allowance for Doubtful Accounts	3,000	14,000
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(21,579)	(126,875)
Other Accounts Receivable	(12,773)	10,092
Materials and Supplies	(88,802)	131,296
Prepaid Expenses	29,364	8,935
Deferred Outflows of Resources Related to Pensions	(210,600)	(22,907)
Increase (Decrease) in Liabilities:		
Accounts Payable	(20,103)	58,770
Other Postemployment Benefits Obligation	(42,930)	54,934
Net Pension Liability	(63,463)	(169,866)
Deferred Inflows of Resources Related to Pensions	118,983	30,212
	1,842,165	2,017,809
Net Cash Provided by Operating Activities	\$ 5,717,967	\$ 4,965,460

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.

	2016	2015
Funds for General Operation	\$ 13,405,609	\$ 9,624,887

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

ASSETS

	2016	2015
Funds on Deposit with Town Treasurer		
Cash and Cash Equivalents	\$ 832,269	\$ 700,792

NET POSITION

NET POSITION - Restricted	\$ 832,269	\$ 700,792
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 TOWN OF SHREWSBURY, MASSACHUSETTS
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE
 STATEMENTS OF CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPEB TRUST FUND

	2016	2015
Contributions	\$ 86,298	\$ 90,384
Investment Income	45,179	383
CHANGES IN NET POSITION	131,477	90,767
NET POSITION - January 1,	700,792	610,025
NET POSITION - December 31,	\$ 832,269	\$ 700,792

See Accompanying Notes to Financial Statements

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 2016 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, 2016 AND 2015

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 \$169,000 for 2016 and \$166,000 for 2015.

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 \$84,679 and \$41,004 for the years ended December 31, 2016 and 2015, respectively.

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 \$77,741 and \$86,321 at December 31, 2016 and 2015, 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.

Net Position

The implementation of GASB Statement 63 requires SELCO - Cable to categorize its net position. SELCO - Cable's net position is categorized as net investments in capital assets, and unrestricted.

Financial Statement Revision

During 2015, SELCO - Cable revised its beginning net position through the implementation of GASB Statements #68 and #71 related to accounting for pensions. The cumulative effect of this revision was to reduce the prior year total net position by \$806,876.

During 2015, SELCO - Cable revised its beginning net position through the revision of its OPEB Trust Fund to reflect the fair market value of the investment assets. The cumulative effect of this revision was to increase the prior year total net position by \$9,462.

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.

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.

TOWN OF SHREWSBURY, MASSACHUSETTS
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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.

	2016	2015
Advertising Receivables	\$ 28,498	\$ 10,193
Other Receivables	17,862	23,394
	\$ 46,360	\$ 33,587

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. Payments for the years ended December 31, 2016 and 2015 were \$800,000.

NOTE 5 - NET INVESTMENT IN CAPITAL ASSETS:

	2016	2015
Cost of Capital Assets Acquired	\$ 34,411,075	\$ 44,245,399
Less: Accumulated Depreciation	18,477,585	27,941,620
Net Investment in Capital Assets	\$ 15,933,490	\$ 16,303,779

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 - PLANT ASSETS:

	Balance			Balance
	January 1, 2016	Increases	Decreases	December 31, 2016
Capital Assets Being Depreciated				
Intangible Plant	\$ 342,745	\$ -	\$ -	\$ 342,745
Transmitting Facilities	2,322,306	43,603	753,690	1,612,219
Head End Equipment	10,476,880	317,598	398,122	10,396,356
Distribution Facilities	27,938,018	1,299,389	8,874,848	20,362,559
General Plant	3,165,450	252,840	1,721,094	1,697,196
	<u>44,245,399</u>	<u>1,913,430</u>	<u>11,747,754</u>	<u>34,411,075</u>
Total				
Less Accumulated Depreciation For:				
Intangible Plant	328,992	10,281	-	339,273
Transmitting Facilities	1,530,043	80,627	753,690	856,980
Head End Equipment	4,063,748	528,168	398,122	4,193,794
Distribution Facilities	19,580,256	1,421,107	8,794,145	12,207,218
General Plant	2,438,581	162,833	1,721,094	880,320
	<u>27,941,620</u>	<u>2,203,016</u>	<u>11,667,051</u>	<u>18,477,585</u>
Total Accumulated Depreciation				
Cable Plant Assets, Net	<u>\$ 16,303,779</u>	<u>\$ (289,586)</u>	<u>\$ (80,703)</u>	<u>\$ 15,933,490</u>

NOTE 7 - 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 2016 and 2015 SELCO - Cable paid the Town amounts of \$1,416,394 and \$1,421,037, 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, 2016 and 2015, the outstanding balances payable to the Town were \$97,948 and \$96,123, respectively.

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NOTES TO FINANCIAL STATEMENTS
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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, 2016 and 2015 was \$832,269 and \$700,792, respectively.

For the year ended December 31, 2016, 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 Department 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.

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 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

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 page sets forth, by level within the fair value hierarchy, SELCO - Cable's OPEB Trust Fund investments at fair value at December 31, 2016. As of December 31, 2016, SELCO - Cable did not have any investments that were measured using Level 2 or Level 3 inputs.

	December 31, 2016 Quoted Prices in Active Markets for Identical Assets (All Level 1)
FMV Investments:	
Mutual Funds	\$ 828,494
Other Securities:	
Money Market	3,775
Total	\$ 832,269

As of December 31, 2016, 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.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

The Town of Shrewsbury provides medical benefits and life insurance to its retirees. SELCO - Cable recognizes its share of the actuarially calculated liability for that benefit using the accounting standard GASB Statement 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As allowed by GASB 45, SELCO - Cable has applied the measurement recognition requirements of GASB 45 on a prospective basis.

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued):

At June 30, 2016, SELCO - Cable's membership in the plan consisted of the following:

Current retirees, beneficiaries, and dependents	9	
Current active employees	30	
Total	39	

Funding Policy

SELCO - Cable funds the cost of providing benefits on a full prefunding basis by expensing the annual insurance premiums charged to SELCO - Cable by the Town of Shrewsbury, which aggregated approximately \$301,171 and \$312,337 for the years ending December 31, 2016 and 2015, respectively. Retired plan members and beneficiaries currently receiving benefits are required to contribute a variable portion for their post-retirement medical costs and any costs exceeding \$4.24 per month for life insurance. The Town established a Trust to accept funding for OPEB liabilities in 2011.

Annual OPEB Costs and Net Obligation

SELCO - Cable's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of generally accepted accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The components of SELCO - Cable's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in SELCO - Cable's net OPEB obligation are summarized in the following table:

	2016	2015
Annual required contribution	\$ 74,002	\$ 115,131
Contributions Made	(116,932)	(60,197)
Increase in net OPEB Obligation	(42,930)	54,934
Transfer to OPEB Trust Fund	(86,298)	(90,384)
Change in net OPEB Obligation	(129,228)	(35,450)
Net OPEB Obligation- beginning of year	333,428	368,878
Net OPEB Obligation - end of year	\$ 204,200	\$ 333,424

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

SELCO - Cable's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Percentage of Annual Cost Contributed	Net OPEB Asset
12/31/2014	\$ 98,819	\$ 131,983	133.56%	\$ 368,878
12/31/2015	\$ 101,181	\$ 136,631	135.04%	\$ 333,428
12/31/2016	\$ 53,289	\$ 182,517	342.50%	\$ 204,200

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as supplemental information presents trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status is as follows:

	<u>2016</u>
Actuarial accrued liability (AAL)	\$ 1,101,352
Actuarial value of plan assets	<u>(832,269)</u>
Unfunded actuarial accrued liability	\$ 269,083
Funded ratio (actuarial value of plan assets/AAL)	75.57%
Covered payroll (active plan members)	\$ 2,286,821
UAAL as a percentage of covered payroll	11.8%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by SELCO - Cable and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

Actuarial Methods and Assumptions (Continued):

Actuarial liabilities were determined using the projected unit credit cost method. The actuarial methods and assumptions included a 7.5% rate of return and an annual health care cost rate trend based on projected per capita health claims costs for specific age groups as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. Expected cost increases related to age ranged from 3.7% for ages 60 to 64 and below to 0% for age 80 and over. Both rates included a 5.0% general inflation assumption. The UAAL is being amortized over 30 years at transition and is assumed to increase annually by 4.0%. The remaining amortization period at December 31, 2016, was 21 years.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 10 - PENSION PLAN (Continued):

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, 2016 and 2015 were \$240,876 and \$217,969, respectively which were paid during calendar years 2015 and 2014, respectively.

Pension Liabilities - At December 31, 2016 and 2015, SELCO - Cable reported a liability of \$791,516 and \$854,979, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, respectively, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of January 1, 2016 and January 1, 2014, 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, 2015. 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, 2014. At the measured date of December 31, 2015 and 2014, SELCO - Cable's portion was 3.97% and 4.09%, respectively.

Pension Expense - For the years ended December 31, 2016 and 2015 SELCO - Cable recognized a pension expense of \$96,320 and \$89,971, respectively. For the years ended December 31, 2016 and 2015, SELCO - Cable reported deferred outflows of resources related to pensions of \$451,476 and \$240,876, respectively, consisting of the differences between projected and actual investment earnings which amounted to \$200,692 and \$0, respectively, and the amount paid for contributions made subsequent to the measurement date which amounted to \$250,784 and \$240,876, respectively. For the years ended December 31, 2016 and 2015, SELCO - Cable reported deferred inflows of resources related to pensions of \$149,195 and \$30,212, respectively, consisting of the differences between projected and actual investment earnings which amounted to \$102,747 and \$30,212, respectively, changes in assumptions which amounted to \$28,166 and \$0, respectively, and changes in proportion and differences between employer contributions and proportionate share of contributions which amounted to \$18,282 and \$0, respectively.

TOWN OF SHREWSBURY, MASSACHUSETTS
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) – CABLE
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 10 - PENSION PLAN (Continued):

SELCO - Cable's net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended December 31:	2017	\$	14,767
	2018		14,767
	2019		14,767
	2020		20,168
	2021		<u>(12,973)</u>
	Total	\$	<u>51,497</u>

Actuarial Assumptions-The total pension liability as of December 31, 2016 was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> a. 80% of gains and losses of the prior year, b. 60% of gains and losses of the second prior year, c. 40% of gains and losses of the third prior year and d. 20% of gains and losses of the fourth prior year
Inflation Rate	Not explicitly assumed
Projected Salary Increases	The assumed rates for salary increases including longevity is 3.5%.
Cost of Living Allowance	Cost-of Living Allowances (COLA) are assumed to be 3% of the lesser of the pension amount and \$12,000 per year.
Mortality Rates:	
Healthy Retirees	RP-2014 Mortality Table Projected to 2020 with Scale MP-2014.
Disabled Retirees	RP-2000 Mortality Table set forward six years.
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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 FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 10 - PENSION PLAN (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 December 31, 2016 are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	40%	7.00%
Fixed Income	22.50%	2.40%
Foreign Equity	17.50%	4.00%
Real Estate	10%	7.10%
Private Estate	6%	12.10%
Hedge Funds	4%	2.70%
	<u>100%</u>	

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the Net Pension Liability	\$ 1,300,591	\$ 791,516	\$ 362,266

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 FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2017.

For the Year Ending December 31:	2017	\$	6,906,111
	2018		6,456,735
	2019		5,794,572
	2020		3,654,871
	2021		<u>2,068,236</u>
	Total	\$	<u>24,880,525</u>

Signal purchase expense under these contracts was \$7,568,258 and \$7,478,056 in 2016 and 2015, 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 \$32,874. 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 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS:

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required to be implemented for periods beginning after June 15, 2017. SELCO - Cable is currently evaluating the effect this pronouncement will have on the basic financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS
SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE
SCHEDULES OF OPERATIONS AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING FUND

	<u>2016</u>			<u>2015</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	\$ 38,926	\$ 38,926	\$ -	\$ 38,851	\$ 38,851	\$ -	\$ 75
532 Labor	314,098	314,098	-	376,280	376,280	-	(62,182)
534 Station Power	953	953	-	1,093	1,093	-	(140)
542 Maintenance of Structures	251	-	251	35,198	-	35,198	(34,947)
546 Maintenance of Head End Apparatus	287,755	-	287,755	274,888	-	274,888	12,867
<u>Total Head End Expenses</u>	<u>641,983</u>	<u>353,977</u>	<u>288,006</u>	<u>726,310</u>	<u>416,224</u>	<u>310,086</u>	<u>(84,327)</u>
<u>Signal Expenses:</u>							
555 Signal Purchases	7,568,258	7,568,258	-	7,478,056	7,478,056	-	90,202
555 Internet Connectivity	329,587	329,587	-	367,871	367,871	-	(38,284)
555 Telephone Fees & Connectivity	377,228	377,228	-	861,869	861,869	-	(484,641)
<u>Total Signal Expenses</u>	<u>8,275,073</u>	<u>8,275,073</u>	<u>-</u>	<u>8,707,796</u>	<u>8,707,796</u>	<u>-</u>	<u>(432,723)</u>
<u>Transmitting Expenses:</u>							
562 Station Power	48,789	48,789	-	55,156	55,156	-	(6,367)
<u>Total Transmitting Expenses</u>	<u>48,789</u>	<u>48,789</u>	<u>-</u>	<u>55,156</u>	<u>55,156</u>	<u>-</u>	<u>(6,367)</u>
<u>Distribution Expenses:</u>							
583 Overhead Line Expenses	114,239	114,239	-	90,567	90,567	-	23,672
586 Converter Expense	18,601	18,601	-	21,152	21,152	-	(2,551)
587 Customer Installation Expense	694,817	694,817	-	614,818	614,818	-	79,999
588 Miscellaneous Distribution Expense	451	451	-	220	220	-	231
591 Maintenance of Structures	73,982	-	73,982	71,805	-	71,805	2,177
593 Maintenance of Overhead Lines	150,382	-	150,382	154,425	-	154,425	(4,043)
<u>Total Distribution Expenses</u>	<u>1,052,472</u>	<u>828,108</u>	<u>224,364</u>	<u>952,987</u>	<u>726,757</u>	<u>226,230</u>	<u>99,485</u>
<u>Total to be Forwarded</u>	<u>\$ 10,018,317</u>	<u>\$ 9,505,947</u>	<u>\$ 512,370</u>	<u>\$ 10,442,249</u>	<u>\$ 9,905,933</u>	<u>\$ 536,316</u>	<u>\$ (423,932)</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, 2016 AND 2015

OPERATING FUND

	<u>2016</u>			<u>2015</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>	\$ 10,018,317	\$ 9,505,947	\$ 512,370	\$ 10,442,249	\$ 9,905,933	\$ 536,316	\$ (423,932)
<u>Customer Accounts Expenses</u>							
903 Customer Records and Collection Expense	908,473	908,473	-	874,135	874,135	-	34,338
904 Uncollectible Accounts	111,410	111,410	-	112,151	112,151	-	(741)
<u>Total Customer Accounts Expenses</u>	1,019,883	1,019,883	-	986,286	986,286	-	33,597
<u>Sales Expense</u>							
913 Advertising Expense	84,679	84,679	-	41,004	41,004	-	43,675
<u>Total Sales Expenses</u>	84,679	84,679	-	41,004	41,004	-	43,675
<u>Administrative and General Expenses</u>							
920 Administrative and General Salaries	460,429	460,429	-	421,343	421,343	-	39,086
921 Office Supplies and Expenses	191,065	191,065	-	184,844	184,844	-	6,221
923 Outside Services Employed	69,423	69,423	-	67,588	67,588	-	1,835
924 Property Insurance	41,480	41,480	-	30,734	30,734	-	10,746
925 Injuries and Damages	13,902	13,902	-	14,016	14,016	-	(114)
926 Employee Pension and Benefits	423,867	423,867	-	558,816	558,816	-	(134,949)
930 Miscellaneous General Expenses	24,918	24,918	-	30,339	30,339	-	(5,421)
933 Transportation Expense	52,598	52,598	-	76,056	76,056	-	(23,458)
<u>Total Administrative and General Expenses</u>	1,277,682	1,277,682	-	1,383,736	1,383,736	-	(106,054)
<u>Community Access Programming Expenses</u>							
920 Administration and General Salaries	111,596	111,596	-	121,555	121,555	-	(9,959)
921 Office Supplies and Expense	23,564	23,564	-	26,959	26,959	-	(3,395)
923 Outside Services Employed	72,062	72,062	-	124,493	124,493	-	(52,431)
930 Miscellaneous General Expenses	31,753	31,753	-	22,184	22,184	-	9,569
<u>Total Community Access Programming Expense</u>	238,975	238,975	-	295,191	295,191	-	(56,216)
<u>Total Operation and Maintenance Expenses</u>	<u>\$ 12,639,536</u>	<u>\$ 12,127,166</u>	<u>\$ 512,370</u>	<u>\$ 13,148,466</u>	<u>\$ 12,612,150</u>	<u>\$ 536,316</u>	<u>\$ (508,930)</u>

See Independent Auditors' Report

TOWN OF SHREWSBURY, MASSACHUSETTS
 SHREWSBURY ELECTRIC AND CABLE OPERATIONS (SELCO) - CABLE
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS

OPERATING FUND

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	For the <u>Year Ending</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage <u>of Payroll</u>
6/30/2008	12/31/2008	\$ -	\$ 1,887,090	\$ 1,887,090	0.00%	\$ 1,772,597	106.5%
6/30/2008	12/31/2009	\$ -	\$ 2,073,939	\$ 2,073,939	0.00%	\$ 1,827,291	113.5%
6/30/2010	12/31/2010	\$ -	\$ 1,889,251	\$ 1,889,251	0.00%	\$ 1,883,798	100.3%
6/30/2010	12/31/2011	\$ 243,369	\$ 2,080,037	\$ 1,836,668	11.70%	\$ 2,056,755	89.3%
6/30/2012	12/31/2012	\$ 367,986	\$ 956,086	\$ 588,100	38.49%	\$ 2,140,743	27.5%
6/30/2012	12/31/2013	\$ 477,869	\$ 1,030,067	\$ 552,198	46.39%	\$ 2,242,142	24.6%
6/30/2014	12/31/2014	\$ 570,613	\$ 974,714	\$ 404,101	58.54%	\$ 2,041,524	19.8%
6/30/2014	12/31/2015	\$ 700,792	\$ 1,048,426	\$ 347,634	66.84%	\$ 2,299,139	15.1%
6/30/2016	12/31/2016	\$ 832,269	\$ 1,101,352	\$ 269,083	75.57%	\$ 2,286,821	11.8%

Schedule of Actuarial Methods and Assumptions

Actuarial methods:

Valuation date	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Assumed to increase annually by 4%
Remaining amortization period	21 years as of December 31, 2016

Actuarial assumptions:

Investment rate of return	7.50%
Inflation rate	5.50%
Projected salary increases	4.50%
Medical/drug cost trend rate	Age-based per capita cost increases ranging from 3.7% to 0%

See Independent Auditors' Report

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

OPERATING FUND

Schedule of SELCO - Cable's Proportionate Share of the Net Pension Liability (NPL)

Actuarial Valuation Date	Measurement Date	For the Year Ending	SELCO - Cable's Portion of the NPL	SELCO - Cable's Proportionate Share of the NPL	SELCO - Cable's Total Employee Payroll	NPL as a Percentage of Total Employee Payroll	Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
1/1/2014	12/31/2014	12/31/2015	3.969%	\$ 854,978	\$ 2,299,139	37.19%	81.86%
1/1/2016	12/31/2015	12/31/2016	3.790%	\$ 791,516	\$ 2,286,821	34.61%	82.46%

Schedule of Contributions

Actuarial Valuation Date	Measurement Date	For the Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	SELCO - Cable's Total Employee Payroll	Contribution as a Percentage of SELCO - Cable's Total Employee Payroll
1/1/2014	12/31/2014	12/31/2015	\$ 217,969	\$ 217,969	\$ -	\$ 2,299,139	9.48%
1/1/2016	12/31/2015	12/31/2016	\$ 240,876	\$ 240,876	\$ -	\$ 2,286,821	10.53%

Note: These schedules are intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditors' Report

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

NOTE A - PENSION PLAN:

Changes in Employer Allocations:

Massachusetts General Law (MGL) Chapter 32 Section 22 dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system. The System has elected to use an alternative method based on actuarial results. Therefore, each member unit's proportionate share of the net pension liability has been calculated based on each member unit's actual current employees, retirees, inactive participants, and actual share of net position as of December 31, 2015.