

TOWN OF SHREWSBURY, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2013

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the year ended June 30, 2013 (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are as of and for the year ended December 31, 2012), and the related notes to the financial statements which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements as listed in the table of contents. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are both major funds and 49 percent, 45 percent, 56 percent, and 21 percent, 22 percent, and 29 percent, respectively, of the assets, net position and operating revenues of the business-type activities .

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represent 49 percent, 45 percent, 56 percent, and 21 percent, 22 percent, and 29 percent, respectively, of the assets, net position and operating revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2013, (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are as of and for the year ended December 31, 2012), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, on our consideration of the Town of Shrewsbury Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shrewsbury, Massachusetts' internal control over financial reporting and compliance.

Scanlon + Associates LLC
Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 10, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Shrewsbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets exceeded its liabilities by \$196,450,517 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$190,895,059 an increase of \$5,555,458 (3%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$29,391,357, an increase of \$1,368,868 (5%) in comparison with prior year. The increase is mainly attributed to the activity related to two of the Town's capital projects, which are shown as major funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,683,869 or 5% of revenues and other sources and 5% of expenditures and other uses.
- Total liabilities of the Governmental Activities decreased by \$4,273,568 (4%) to \$105,748,247 during the fiscal year. This net change resulted from a net decrease in current liabilities of \$9,484,884 (the major component of which was a decrease in bond anticipation notes of \$8,100,000) and a net increase in noncurrent liabilities of \$5,211,316 (the major component of which were an increase in the OPEB liability of \$4,901,553.)
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$5,062,332. The key factors that attributed to the free cash amount for fiscal year 2013 are, approximately, as follows:
 - Unexpended/unencumbered appropriations \$ 1,677,000.
 - Excess over budget – state and local receipts \$ 1,055,000.
 - Prior year unappropriated free cash \$ 1,409,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve, as an introduction to the Town of Shrewsbury's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works (including water), education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, solid waste, electric light and community cablevision activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Shrewsbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains the following type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, solid waste, electric light and community cablevision activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2013	2012	Change
Assets:			
Current assets	\$ 45,737,158	\$ 53,813,710	\$ (8,076,552)
Noncurrent assets (excluding capital assets)	21,082,500	23,683,858	(2,601,358)
Capital assets	153,142,310	146,208,712	6,933,598
Total assets	219,961,968	223,706,280	(3,744,312)
Liabilities:			
Current liabilities (excluding debt)	9,534,229	11,268,481	(1,734,252)
Noncurrent liabilities (excluding debt)	25,871,687	21,011,921	4,859,766
Current debt	8,775,219	16,525,851	(7,750,632)
Noncurrent debt	61,567,112	61,215,562	351,550
Total liabilities	105,748,247	110,021,815	(4,273,568)
Net Position:			
Net investment in capital assets	106,406,562	94,592,279	11,814,283
Restricted	14,614,584	24,808,821	(10,194,237)
Unrestricted	(6,807,425)	(5,716,635)	(1,090,790)
Total net position	\$ 114,213,721	\$ 113,684,465	\$ 529,256

	Business-Type Activities		
	2013	2012	Change
Assets:			
Current assets	\$ 36,258,329	\$ 33,449,107	\$ 2,809,222
Noncurrent assets (excluding capital assets)	12,375,003	12,017,387	357,616
Capital assets	48,209,659	46,927,854	1,281,805
Total assets	96,842,991	92,394,348	4,448,643
Liabilities:			
Current liabilities (excluding debt)	3,777,166	4,068,616	(291,450)
Noncurrent liabilities (excluding debt)	8,216,215	8,246,565	(30,350)
Current debt	720,606	1,212,635	(492,029)
Noncurrent debt	1,892,208	1,655,938	236,270
Total liabilities	14,606,195	15,183,754	(577,559)
Net Position:			
Net investment in capital assets	45,657,939	44,059,281	1,598,658
Restricted	3,305,716	3,256,531	49,185
Unrestricted	33,273,141	29,894,782	3,378,359
Total net position	\$ 82,236,796	\$ 77,210,594	\$ 5,026,202

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2013	2012	Change
Program Revenues:			
Charges for services	\$ 12,679,148	\$ 12,122,712	\$ 556,436
Operating grants and contributions	35,573,687	34,691,672	882,015
Capital grants and contributions	5,825,746	14,171,633	(8,345,887)
General Revenues:			
Property taxes	55,789,702	52,582,794	3,206,908
Motor vehicle excise and other taxes	4,957,205	4,577,463	379,742
Hotel room occupancy and meals taxes	430,214	433,960	(3,746)
Penalties and interest on taxes	225,529	245,132	(19,603)
Nonrestricted grants	2,670,526	3,584,358	(913,832)
Unrestricted investment income	(216,729)	524,554	(741,283)
Gain on sale of capital asset	97,041	-	97,041
Miscellaneous	39,548	-	39,548
Total revenues	118,071,617	122,934,278	(4,862,661)
Expenses:			
General government	6,239,161	6,244,276	(5,115)
Public safety	8,244,427	8,404,848	(160,421)
Public works (including water)	6,037,811	5,009,205	1,028,606
Education	63,844,198	62,468,967	1,375,231
Health and human services	773,683	730,305	43,378
Culture and recreation	2,215,709	2,232,572	(16,863)
Employee benefits and insurance	25,867,001	24,179,568	1,687,433
State assessments	1,703,400	1,732,451	(29,051)
Interest	2,647,289	2,781,516	(134,227)
Total expenses	117,572,679	113,783,708	3,788,971
Transfers	30,318	26,728	3,590
Change in net position	529,256	9,177,298	(8,648,042)
Net position - beginning of year	113,684,465	104,507,167	9,177,298
Net position - end of year	\$ 114,213,721	\$ 113,684,465	\$ 529,256

	Business-Type Activities		
	2013	2012	Change
Program Revenues:			
Charges for services	\$ 55,865,929	\$ 55,853,823	\$ 12,106
Operating grants and contributions	121,682	113,259	8,423
Capital grants and contributions	547,078	-	547,078
Total revenues	56,534,689	55,967,082	567,607
Expenses:			
Sewer	5,235,495	4,673,577	561,918
Solid waste	1,775,168	1,764,849	10,319
Electric light	29,794,890	31,798,474	(2,003,584)
Community Cablevision	14,672,965	13,634,362	1,038,603
Total expenses	51,478,518	51,871,262	(392,744)
Transfers	(29,969)	(81,109)	51,140
Change in net position	5,026,202	4,014,711	1,011,491
Net position - beginning of year	77,210,594	73,195,883	4,014,711
Net position - end of year	\$ 82,236,796	\$ 77,210,594	\$ 5,026,202

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$196,450,517 at the close of fiscal year 2013.

Net position of \$152,064,501 (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$17,920,300 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$26,465,716 (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities. The unrestricted in the governmental activities is a negative as a result of recognizing the Town's net OPEB obligation.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position for the business-type activities

The governmental activities net position increased by \$529,256 during the current fiscal year as compared to the prior year where the net position increase \$9,177,298. The significant reason for the change is attributed the grant received from the Massachusetts School Building Authority for the middle school construction and green project amounting to \$12,870,814 in fiscal year 2012 compared to \$4,836,602 received in fiscal year 2013. This change is reflected in the comparison above for capital grants and contributions.

There was an increase of \$5,026,202 in net position reported in the business-type activities. Of this, the sewer fund, electric light fund and cable operations fund incurred increases of \$3,119,495, \$1,364,820 and \$573,996, respectively and the solid waste fund incurred a decrease of \$32,109. The significant increase in the sewer fund is attributed to the sewer investment into its capital assets utilizing current resources.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$29,391,357 an increase of \$1,368,868 (5%) in comparison with the prior year. The increase is mainly attributed to the activity related to two of the Town's capital projects, which are the sherwood middle school construction project and the allen farm property acquisition project.

Breakdown of the governmental funds are as follows:

- Restricted fund balance - \$11,538,856 (39%).
- Committed fund balance - \$2,895,153 (10%).
- Assigned fund balance - \$9,903,223 (34%).
- Unassigned fund balance - \$5,054,125 (17%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$16,779,275 increasing \$32,069 from the prior year. Of the \$16,779,275, the unassigned amount is \$5,683,869, the assigned amount is \$9,903,223 and the restricted amount is \$1,192,183. General fund revenues were \$3,648,554 (4%) more than the prior fiscal year and expenditures increased by \$6,274,298 (7%). The main category of the increase in revenues was property taxes, which increase \$2,779,060 (5%). The factors of the increase in property taxes were new growth and the two and half percent increase of last year's tax levy. The main increase in expenditures was in the categories of public works, education, employee benefits and insurance and debt service. Other activity in the General Fund was net transfers of \$1,281,139 and sale of foreclosure of \$111,225.

The *Sherwood middle school construction project fund* is used to account for financial resources to construct a new middle school. The fund had capital expenditures of \$9,059,225 and MSBA grants receipt of \$4,573,262. The fund's ending fund balance was \$1,570,638 at June 30, 2013.

The *Allen Farm Property Acquisition fund* has is used to account for financial resources to acquire the land and buildings situated in the Town. The Town issued bonds in the amount of \$6,100,000 to fund the project. The fund balance at the end of fiscal year 2013 was \$38,742.

Major Proprietary Funds

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$3,119,495 attributed to operating revenues exceeding current operating costs by \$2,568,402, intergovernmental revenues of \$557,263, interest expense of \$10,801 and transfers in from the general fund

of \$4,631. Operating revenues increased by \$686,752 (10%) while operating expenses increased by \$560,567 (12%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the Town's solid waste operations. The solid waste fund shows a decrease of \$32,109 attributed to operational expenditures exceeding revenues by \$915,877 and transfers in from the general fund for \$883,768. Operating revenues decreased by \$28,292 (3%) and operating expenses decreased by \$10,319 (1%) from the prior year.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2012 shows an increase of \$1,364,820, attributed to operating revenues exceeding operating expenses by \$1,523,749, investment income of \$87,209, interest expense of \$31,288, other revenue of \$9,798 and transfers to the general fund of \$224,468. The Electric Light is audited by other auditors and has issued a separate audit report which has further detail.

The *Cable Operations Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2012 shows an increase of \$573,996, attributed to operating revenue exceeding operating expenses of \$1,276,441, interest expense of \$23,215, other income of \$14,490 and transfers to the general fund of \$693,720. The Cable is audited by other auditors and has issued a separate audit report which has further detail.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2013 was \$102,041,795. This was an increase of \$6,070,535 (6%) over the previous year's budget. The main categories of the increase were public works (water), education and debt service.

There was an increase of \$684,837 between the original budget and the final amended budget.

Of the \$7,777,009 in under budget expenditures \$6,099,479 has been carried over to fiscal year 2014.

There is a negative variance in property taxes of \$166,513 as a result of lower collections and in interest on investments of \$45,274 attributed to the economic conditions.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, (December 31, 2012 for the electric light fund and the cable operations fund) amounts to \$153,142,310 and \$48,209,659, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital acquisitions during the current fiscal year in the governmental type funds included the following:

- Department of public works vehicles for \$30,515.
- Police vehicles and equipment for \$83,001.
- Fire truck refurbishment for \$87,880.
- Park department vehicle for \$23,150.
- Library improvements for \$27,821.
- Water infrastructure system improvements for \$1,363,432.
- Road infrastructure improvements for \$1,092,590.
- Spring Street school project for \$619,675.
- New Sherwood Middle school construction for \$9,059,225.
- Other various school improvement projects for \$190,447.
- School mower for \$17,915.

Major capital acquisitions during the current fiscal year in the business-type funds included the following:

In the sewer fund:

- Sewer infrastructure improvements for \$1,694,205
- Sewer vehicle for \$41,795.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2013, totaled \$67,512,114 (excluding the unamortized gain and loss on refunding bonds). The primary debt is school debt of \$52,910,000, land acquisition debt of \$8,250,000, fire facility renovations of \$4,900,000, water improvements for \$1,306,000 and septic Title V debt of \$146,114. Debt also includes bond anticipation notes of \$2,325,000 for school projects.

The business-type funds have \$2,612,814 consisting of sewer activity debt of \$1,197,814, electric light activity debt of \$735,000 (at December 31, 2012) and cable operations activity debt of \$680,000 (at December 31, 2012).

Please refer to notes 3C, 3E and 3F for further discussion of the capital and debt activity.

Next Year's Annual Town Meeting

The Town of Shrewsbury operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2013 do not reflect the fiscal year 2014 Town Meeting action. The Annual Town Meeting on May 20, 2013 authorized a fiscal year 2014 operating and capital budget as follows:

From the tax levy	\$ 92,849,265
From sewer fund	7,531,863
From electric light fund	368,319
From community cablevision fund	1,141,211
From solid waste fund	915,000
From Other Available Funds:	
General Fund (free cash)	3,803,744
Continuing appropriations	312,790
Cemetery sale of lots	18,000
Gifts	10,000
Interest on school borrowing	60,000
Water projects	833,082
Septic loan repayment fund	15,101
	<u>\$ 107,858,375</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Shrewsbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 100 Maple Avenue, Shrewsbury, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 11,393,353	\$ 10,323,981	\$ 21,717,334
Investments	27,704,178	17,159,771	44,863,949
Receivables, net of allowance for uncollectibles:			
Property Taxes	597,074	-	597,074
Deferred Property Taxes	22,878	-	22,878
Taxes in Litigation	2,570	-	2,570
Tax Liens	505,394	-	505,394
Excise Taxes	416,880	-	416,880
User Charges	461,167	3,432,673	3,893,840
Other	-	570,357	570,357
Special Assessments	17,692	438,342	456,034
Due from Other Governments	4,615,972	61,094	4,677,066
Loan Receivable	-	16,277	16,277
Materials and Supplies	-	602,512	602,512
Prepaid Expenses	-	3,653,322	3,653,322
Total current assets	<u>45,737,158</u>	<u>36,258,329</u>	<u>81,995,487</u>
NONCURRENT:			
Restricted Cash and Investments:			
Depreciation Fund	-	3,305,716	3,305,716
Rate Stabilization Reserve Fund	-	7,561,948	7,561,948
Investment in Other Companies	-	16,160	16,160
Receivables, net of allowance for uncollectibles:			
Special Assessments	194,947	457,543	652,490
Due from Other Governments	20,887,553	-	20,887,553
Loan Receivable	-	130,630	130,630
Other	-	903,006	903,006
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	54,918,382	492,181	55,410,563
Depreciable	98,223,928	47,717,478	145,941,406
Total noncurrent assets	<u>174,224,810</u>	<u>60,584,662</u>	<u>234,809,472</u>
Total Assets	<u>219,961,968</u>	<u>96,842,991</u>	<u>316,804,959</u>
LIABILITIES			
CURRENT:			
Warrants Payable	2,354,286	3,688,155	6,042,441
Accrued Payroll	4,084,267	10,447	4,094,714
Retainage Payable	552,203	-	552,203
Payroll Withholdings	548,778	-	548,778
Tax Refund Payable	130,000	-	130,000
Taxes Collected in Advance	48,032	-	48,032
Accrued Interest	1,014,123	5,846	1,019,969
Other	383,331	68,000	451,331
Compensated Absences	419,209	4,718	423,927
Bond Anticipation Notes	2,325,000	-	2,325,000
Bonds Payable	6,450,219	720,606	7,170,825
Total current liabilities	<u>18,309,448</u>	<u>4,497,772</u>	<u>22,807,220</u>
NONCURRENT:			
Accumulated Provision for Rate Refund	-	7,561,948	7,561,948
Other	-	107,178	107,178
Compensated Absences	814,441	14,154	828,595
OPEB Obligation Payable	25,057,246	532,935	25,590,181
Bonds Payable	61,567,112	1,892,208	63,459,320
Total noncurrent liabilities	<u>87,438,799</u>	<u>10,108,423</u>	<u>97,547,222</u>
Total Liabilities	<u>105,748,247</u>	<u>14,606,195</u>	<u>120,354,442</u>
NET POSITION:			
Net Investment in Capital Assets	106,406,562	45,657,939	152,064,501
Restricted for:			
Capital Projects	3,415,654	-	3,415,654
Federal & State Grants	2,101,355	-	2,101,355
Permanent Funds	1,905,986	-	1,905,986
Other Purposes	7,191,589	-	7,191,589
Depreciation	-	3,305,716	3,305,716
Unrestricted	(6,807,425)	33,273,141	26,465,716
Total Net Position	<u>\$ 114,213,721</u>	<u>\$ 82,236,796</u>	<u>\$ 196,450,517</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 6,239,161	\$ 438,718	\$ 206,044	\$ -	\$ (5,594,399)	\$ -	\$ (5,594,399)
Public Safety	8,244,427	1,181,689	162,213	-	(6,900,525)	-	(6,900,525)
Public Works (including Water)	6,037,811	3,844,821	288,232	989,144	(915,614)	-	(915,614)
Education	63,844,198	5,224,328	25,276,825	4,836,602	(28,506,443)	-	(28,506,443)
Health and Human Services	773,683	1,589,751	187,839	-	1,003,907	-	1,003,907
Culture and Recreation	2,215,709	399,841	100,545	-	(1,715,323)	-	(1,715,323)
Employee Benefits and Insurance	25,867,001	-	8,496,352	-	(17,370,649)	-	(17,370,649)
State Assessments	1,703,400	-	-	-	(1,703,400)	-	(1,703,400)
Interest	2,647,289	-	855,637	-	(1,791,652)	-	(1,791,652)
Total Governmental Activities	117,572,679	12,679,148	35,573,687	5,825,746	(63,494,098)	-	(63,494,098)
Business-Type Activities:							
Sewer	5,235,495	7,793,096	10,185	547,078	-	3,114,864	3,114,864
Solid Waste	1,775,168	859,291	-	-	(915,877)	-	(915,877)
Electric Light	29,794,890	31,287,351	97,007	-	1,589,468	-	1,589,468
Community Cablevision	14,672,965	15,926,191	14,490	-	1,267,716	-	1,267,716
Total Primary Government	\$ 169,051,197	\$ 68,545,077	\$ 35,695,369	\$ 6,372,824	(63,494,098)	5,056,171	(58,437,927)
General Revenues:							
Property Taxes					55,789,702	-	55,789,702
Motor vehicle and other taxes					4,957,205	-	4,957,205
Hotel Room Occupancy and Meal Taxes					430,214	-	430,214
Penalties & Interest on Taxes					225,529	-	225,529
Grants & Contributions not restricted to specific programs					2,670,526	-	2,670,526
Unrestricted Investment Income					(216,729)	-	(216,729)
Gain on Sale of Capital Asset					97,041	-	97,041
Miscellaneous					39,548	-	39,548
Transfers, net					30,318	(29,969)	349
Total General Revenues and Transfers					64,023,354	(29,969)	63,993,385
Change in Net Position					529,256	5,026,202	5,555,458
Net Position:							
Beginning of year					113,684,465	77,210,594	190,895,059
End of year					\$ 114,213,721	\$ 82,236,796	\$ 196,450,517

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Sherwood				Allen Farm		Total
	General Fund	Middle School Construction Fund	Property Acquisition Fund	Nonmajor Governmental Funds	Governmental Funds	Governmental Funds	
ASSETS							
Cash and Cash Equivalents	\$ 8,278,589	\$ 1,276,434	\$ 38,742	\$ 1,799,588	\$ 11,393,353		
Investments	14,910,851	2,789,643	-	10,003,684	27,704,178		
Receivables, net of allowance for uncollectibles:							
Property Taxes	597,074	-	-	-	597,074		
Deferred Property Taxes	22,878	-	-	-	22,878		
Taxes in Litigation	2,570	-	-	-	2,570		
Tax Liens	505,394	-	-	-	505,394		
Excise Taxes	416,880	-	-	-	416,880		
User Charges	461,167	-	-	-	461,167		
Special Assessments	132,446	-	-	80,193	212,639		
Due from Other Governments	23,687,105	120,915	-	1,695,505	25,503,525		
Total Assets	\$ 49,014,954	\$ 4,186,992	\$ 38,742	\$ 13,578,970	\$ 66,819,658		

LIABILITIES AND FUND BALANCE:

Liabilities:						
Warrants Payable	\$ 1,888,011	\$ 464,151	\$ -	\$ 2,124	\$ 2,354,286	
Accrued Payroll	3,761,710	-	-	322,557	4,084,267	
Retainage Payable	-	552,203	-	-	552,203	
Payroll Withholdings	548,778	-	-	-	548,778	
Tax Refund Payable	130,000	-	-	-	130,000	
Taxes Collected in Advance	48,032	-	-	-	48,032	
Other	383,331	-	-	-	383,331	
Deferred Revenue:						
Property Taxes	379,074	-	-	-	379,074	
Other	25,096,743	-	-	1,526,587	26,623,330	
Bond Anticipation Notes Payable	-	1,600,000	-	725,000	2,325,000	
Total Liabilities	32,235,679	2,616,354	-	2,576,268	37,428,301	

Fund Balance:						
Restricted	1,192,183	1,570,638	38,742	8,737,293	11,538,856	
Committed	-	-	-	2,895,153	2,895,153	
Assigned	9,903,223	-	-	-	9,903,223	
Unassigned	5,683,869	-	-	(629,744)	5,054,125	
Total Fund Balance	16,779,275	1,570,638	38,742	11,002,702	29,391,357	
Total Liabilities and Fund Balance	\$ 49,014,954	\$ 4,186,992	\$ 38,742	\$ 13,578,970	\$ 66,819,658	

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Sherwood				Allen Farm		Total Governmental Funds
	General Fund	Middle School Construction Fund	Property Acquisition Fund	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Governmental Funds	
Revenues:							
Property Taxes	\$ 55,432,871	\$ -	\$ -	\$ -	\$ -	\$ 55,432,871	
Intergovernmental	25,569,832	4,573,262	-	-	7,667,622	37,810,716	
Excise and Other Taxes	5,310,814	-	-	-	-	5,310,814	
Charges for Service	4,907,235	-	-	6,420,040	-	11,327,275	
Licenses, Permits, and Fees	1,674,939	-	-	-	-	1,674,939	
Interest on Taxes	225,529	-	-	-	-	225,529	
Investment Income	(216,729)	-	-	5,391	-	(211,338)	
Intergovernmental - "On-behalf" Payments	8,401,925	-	-	-	-	8,401,925	
Gifts and Donations	-	-	-	399,984	-	399,984	
Other	-	-	-	68,095	-	68,095	
Total Revenues	101,306,416	4,573,262	-	14,561,132	-	120,440,810	
Expenditures:							
Current:							
General Government	5,984,386	-	2,356	195,020	-	6,181,762	
Public Safety	7,392,920	-	-	539,766	-	7,932,686	
Public Works (including Water)	5,873,101	-	-	1,501,514	-	7,374,615	
Education	49,736,604	9,059,225	-	11,434,878	-	70,230,707	
Health and Human Services	605,948	-	-	88,552	-	694,500	
Culture and Recreation	1,545,775	-	-	506,463	-	2,052,238	
Employee Benefits and Insurance	20,965,448	-	-	-	-	20,965,448	
State Assessments	1,703,400	-	-	-	-	1,703,400	
Debt Service:							
Principal	6,010,963	-	-	-	-	6,010,963	
Interest	2,848,166	-	-	-	-	2,848,166	
Total Expenditures	102,666,711	9,059,225	2,356	14,266,193	-	125,994,485	
Excess of Revenues Over (Under) Expenditures	(1,360,295)	(4,485,963)	(2,356)	294,939	(5,553,675)		
Other Financing Sources (Uses):							
Operating Transfers In	2,212,538	-	-	19,000	-	2,231,538	
Operating Transfers Out	(931,399)	-	-	(1,269,821)	-	(2,201,220)	
Sale of Tax Foreclosures	111,225	-	-	-	-	111,225	
Proceeds from Issuance of Bonds	-	-	6,100,000	681,000	-	6,781,000	
Total Other Financing Sources (Uses)	1,392,364	-	6,100,000	(569,821)	-	6,922,543	
Net Change in Fund Balances	32,069	(4,485,963)	6,097,644	(274,882)	-	1,368,868	
Fund Balances, Beginning of Year	16,747,206	6,056,601	(6,058,902)	11,277,584	-	28,022,489	
Fund Balances, End of Year	\$ 16,779,275	\$ 1,570,638	\$ 38,742	\$ 11,002,702	\$ -	\$ 29,391,357	

The Notes to the Financial Statements are an integral part of this Statement.
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TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2013

Total Governmental Fund Balances		\$	29,391,357
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			153,142,310
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			27,002,404
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(68,017,331)	
Other Post Employment Benefits Payable		(25,057,246)	
Compensated Absences		<u>(1,233,650)</u>	(94,308,227)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(1,014,123)</u>
Net Position of Governmental Activities		\$	<u>114,213,721</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 1,368,868

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 12,595,651	
Sale of Capital Asset	(14,184)	
Depreciation	<u>(5,647,869)</u>	6,933,598

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (2,466,234)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayment of Debt Principal	6,010,963	
Amortization of Net Gain/Loss on Refunding	69,119	
Proceeds from Bonds	<u>(6,781,000)</u>	(700,918)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	163,737	
Net Change in Other Post Employment Benefits	(4,901,553)	
Net Change in Accrued Interest on Long-Term Debt	<u>131,758</u>	<u>(4,606,058)</u>

Change in Net Position of Governmental Activities \$ 529,256

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original Budget	Final Budget	Budgetary Basis	Carried Forward to Next Year	Final Budget Positive (Negative)
Revenues:					
Property Taxes	\$ 55,126,384	\$ 55,343,384	\$ 55,176,871	\$ -	\$ (166,513)
Intergovernmental	25,323,293	25,323,293	25,569,832	-	246,539
Excise and Other Taxes	4,737,000	4,737,000	5,310,814	-	573,814
Charges for Service	4,805,000	4,805,000	4,907,235	-	102,235
Licenses, Permits, and Fees	1,497,000	1,497,000	1,674,939	-	177,939
Interest on Taxes	225,000	225,000	225,529	-	529
Interest on Investments	415,000	415,000	369,726	-	(45,274)
Total Revenues	92,128,677	92,345,677	93,234,946	-	889,269
Expenditures:					
Current:					
General Government	7,426,171	7,253,254	5,984,386	847,115	421,753
Public Safety	7,608,416	7,644,205	7,392,920	23,130	228,155
Public Works (including Water)	9,710,422	10,377,247	5,873,101	4,252,249	251,897
Education	50,298,883	50,443,852	49,736,604	707,248	-
Health and Human Services	632,487	679,080	605,948	8,445	64,687
Culture and Recreation	1,840,716	1,866,899	1,545,775	259,292	61,832
Employee Benefits and Insurance	12,907,189	12,937,584	12,572,218	2,000	363,366
State Assessments	1,900,158	1,900,158	1,703,400	-	196,758
Debt Service:					
Principal	6,057,522	6,057,522	6,010,963	-	46,559
Interest	2,974,994	2,881,994	2,839,471	-	42,523
Total Expenditures	101,356,958	102,041,795	94,264,786	6,099,479	1,677,530
Excess of Revenues Over (Under) Expenditures	(9,228,281)	(9,696,118)	(1,029,840)	(6,099,479)	2,566,799
Other Financing Sources (Uses):					
Operating Transfers In (Out)	1,267,370	1,357,239	1,281,139	-	(76,100)
Sale of Tax Foreclosures	-	-	111,225	-	111,225
Total Other Financing Sources (Uses)	1,267,370	1,357,239	1,392,364	-	35,125
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(7,960,911)	(8,338,879)	362,524	(6,099,479)	2,601,924
Budgetary Fund Balance - Beginning of Year	16,190,656	16,190,656	16,190,656	-	-
Budgetary Fund Balance - End of Year	\$ 8,229,745	\$ 7,851,777	\$ 16,553,180	\$ (6,099,479)	\$ 2,601,924

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2013

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 93,234,946	\$ 94,264,786
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	719	-
Net Increase in Revenue from recording Refund Taxes Payable	183,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	8,401,925	-
Recognition of Expenditures - "on behalf payments"	-	8,401,925
Net Change in Fair Value of Investments	(587,174)	-
Net Increase in Revenue from Recording 60-Day Receipts	73,000	-
Reported on a GAAP Basis	<u>\$ 101,306,416</u>	<u>\$ 102,666,711</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund	Cable Operations Fund	
			(as of December 31, 2012)	(as of December 31, 2012)	
ASSETS					
CURRENT:					
Cash and Cash Equivalents	\$ 5,796,557	\$ 154,124	\$ 3,030,990	\$ 1,342,310	\$ 10,323,981
Investments	9,780,628	-	5,114,240	2,264,903	17,159,771
User Charges, net of allowance	926,789	50,850	1,327,970	1,127,064	3,432,673
Other Receivables	-	-	513,193	57,164	570,357
Special Assessments	438,342	-	-	-	438,342
Due From Other Governments	61,094	-	-	-	61,094
Materials and Supplies	-	-	237,832	364,680	602,512
Loan Receivable	-	-	16,277	-	16,277
Prepaid Expenses	-	-	3,528,364	124,958	3,653,322
Total current assets	17,003,410	204,974	13,768,866	5,281,079	36,258,329
NONCURRENT:					
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,305,716	-	3,305,716
Rate Stabilization Reserve Fund	-	-	7,561,948	-	7,561,948
Investment in Other Companies	-	-	16,160	-	16,160
Special Assessments Receivable	457,543	-	-	-	457,543
Loan Receivable	-	-	130,630	-	130,630
Other	-	-	893,685	9,321	903,006
Capital Assets, net of accumulated depreciation:					
Nondepreciable	91,865	-	278,227	122,089	492,181
Depreciable	11,254,353	-	21,718,881	14,744,244	47,717,478
Total noncurrent assets	11,803,761	-	33,905,247	14,875,654	60,584,662
Total Assets	28,807,171	204,974	47,674,113	20,156,733	96,842,991
LIABILITIES					
CURRENT:					
Accounts Payable	123,295	44,854	2,565,062	954,944	3,688,155
Accrued Payroll	10,447	-	-	-	10,447
Accrued Interest	4,156	-	-	1,690	5,846
Other	-	-	-	68,000	68,000
Compensated Absences	4,718	-	-	-	4,718
Bonds Payable	65,606	-	310,000	345,000	720,606
Total current liabilities	208,222	44,854	2,875,062	1,369,634	4,497,772
NONCURRENT:					
Accumulated Provision for Rate Refund	-	-	7,561,948	-	7,561,948
Other	-	-	48,709	58,469	107,178
Compensated Absences	14,154	-	-	-	14,154
OPEB Obligation Payable	100,002	-	-	432,933	532,935
Bonds Payable	1,132,208	-	425,000	335,000	1,892,208
Total noncurrent liabilities	1,246,364	-	8,035,657	826,402	10,108,423
Total Liabilities	1,454,586	44,854	10,910,719	2,196,036	14,606,195
NET POSITION:					
Net Investment in Capital Assets	10,209,498	-	21,262,108	14,186,333	45,657,939
Restricted for Depreciation	-	-	3,305,716	-	3,305,716
Unrestricted	17,143,087	160,120	12,195,570	3,774,364	33,273,141
Total Net Position	\$ 27,352,585	\$ 160,120	\$ 36,763,394	\$ 17,960,697	\$ 82,236,796

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2012)	Cable Operations Fund (as of December 31, 2012)	
Operating Revenues:					
Charges for Services	7,750,789	859,291	31,076,420	15,678,567	\$ 55,365,067
Other	42,307	-	210,931	247,624	500,862
Total Operating Revenues	7,793,096	859,291	31,287,351	15,926,191	55,865,929
Operating Expenses:					
Salaries & Wages	347,690	-	-	-	347,690
Operating Expenses	4,411,810	1,775,168	26,921,065	11,547,771	44,655,814
Maintenance Expenses	-	-	1,289,383	450,344	1,739,727
Depreciation	465,194	-	1,553,154	2,651,635	4,669,983
Total Operating Expenses	5,224,694	1,775,168	29,763,602	14,649,750	51,413,214
Operating Income (Loss)	2,568,402	(915,877)	1,523,749	1,276,441	4,452,715
Non-Operating Revenues (Expenses):					
Investment income	-	-	87,209	-	87,209
Intergovernmental	557,263	-	-	-	557,263
Gain on Sale/Disposal of Equipment	-	-	1,156	9,000	10,156
Other	-	-	8,642	5,490	14,132
Interest Expense	(10,801)	-	(31,288)	(23,215)	(65,304)
Total Non-Operating Revenues (Expenses)	546,462	-	65,719	(8,725)	603,456
Income (Loss) Before Operating Transfers	3,114,864	(915,877)	1,589,468	1,267,716	5,056,171
Operating Transfers:					
Transfer In	4,631	883,768	-	-	888,399
Transfers (Out)	-	-	(224,648)	(693,720)	(918,368)
Total Operating Transfers	4,631	883,768	(224,648)	(693,720)	(29,969)
Change in Net Position	3,119,495	(32,109)	1,364,820	573,996	5,026,202
Net Position at Beginning of Year	24,233,090	192,229	35,398,574	17,386,701	77,210,594
Net Position at End of Year	\$ 27,352,585	\$ 160,120	\$ 36,763,394	\$ 17,960,697	\$ 82,236,796

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2012)	Cable Operations Fund (as of December 31, 2012)	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	7,413,130	881,791	32,385,611	15,725,778	\$ 56,406,310
Receipts from Other Revenues	42,307	-	-	-	42,307
Payments to Vendors and Employees	(4,756,761)	(1,779,888)	(28,585,105)	(11,749,778)	(46,871,532)
Net Cash Provided by (Used for) Operating Activities	2,698,676	(898,097)	3,800,506	3,976,000	9,577,085
Cash Flows from Noncapital Financing Activities:					
Transfers from (to) Other Funds	4,631	883,768	(224,648)	(693,720)	(29,969)
Due to SELCO - Electric	-	-	-	2,615	2,615
Net Cash Provided by (Used for) Noncapital Financing Activities	4,631	883,768	(224,648)	(691,105)	(27,354)
Cash Flows from Capital and Related Financing Activities:					
Intergovernmental Revenues	557,263	-	-	-	557,263
WPAT Project Drawdowns	374,045	-	-	-	374,045
Transfers From Depreciation Fund	-	-	(49,185)	-	(49,185)
Other	-	-	1,156	-	1,156
Acquisition and Construction of Capital Assets	(1,736,000)	-	(1,410,487)	(2,860,572)	(6,007,059)
Principal Payments on Bonds and Notes	(26,898)	-	(314,000)	(350,000)	(690,898)
Interest Expense	(8,415)	-	(34,820)	(23,800)	(67,035)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(840,005)	-	(1,807,336)	(3,234,372)	(5,881,713)
Cash Flows from Investing Activities:					
Investment Income	-	-	96,500	-	96,500
Payments from (to) Customers for Energy Conservation Loans	-	-	(47,576)	-	(47,576)
Proceeds/(Purchase) of Investments	(519,173)	-	(840,871)	137,052	(1,222,992)
Net Cash Provided by (Used for) Investing Activities	(519,173)	-	(791,947)	137,052	(1,174,068)
Net Increase (Decrease) in Cash and Cash Equivalents	1,344,129	(14,329)	976,575	187,575	2,493,950
Cash and Cash Equivalents at Beginning of Year	4,452,428	168,453	2,054,415	1,154,735	7,830,031
Cash and Cash Equivalents at End of Year	\$ 5,796,557	\$ 154,124	\$ 3,030,990	\$ 1,342,310	\$ 10,323,981

**TOWN OF SHREWSBURY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2012)	Cable Operations Fund (as of December 31, 2012)	
Operating Income (Loss)	\$ 2,568,402	\$ (915,877)	\$ 1,523,749	\$ 1,276,441	4,452,715
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	465,194	-	1,553,154	2,651,635	4,669,983
Non-cash loss on disposal of assets	-	-	-	64,271	64,271
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable	(22,650)	(4,720)	(42,606)	(243,780)	(313,756)
Increase (Decrease) in Accrued Payroll	951	-	-	-	951
Increase (Decrease) in Deferred Revenue	-	-	-	(28,000)	(28,000)
Increase (Decrease) in Compensated Absences	1,888	-	-	-	1,888
Increase (Decrease) in OPEB Obligation Payable	22,550	-	(295,412)	(46,112)	(318,974)
Decrease (Increase) in Materials and Supplies	-	-	(75,642)	430,343	354,701
Decrease (Increase) in Prepaid Expenses	-	-	94,003	9,615	103,618
Decrease (Increase) in Other Accounts Receivable	-	-	73,946	14,033	87,979
Decrease (Increase) in Customer Accounts Receivable	(337,659)	22,500	969,314	(152,446)	501,709
Total Adjustments	130,274	17,780	2,276,757	2,699,559	5,124,370
Net Cash Provided by (Used for) Operating Activities	\$ 2,698,676	\$ (898,097)	\$ 3,800,506	\$ 3,976,000	\$ 9,577,085

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	SHREWSBURY			
	Employees Retirement System Pension Trust Fund (as of December 31, 2012)	Other Post Employment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 445,426	\$ -	\$ -	\$ 1,974,769
Investments	74,163,764	1,923,121	389,559	30,095
Accrued Interest and Dividends	9	-	-	-
Total Assets	74,609,199	1,923,121	389,559	2,004,864
LIABILITIES				
Warrants Payable	46,876	-	-	1,387
Due to Others	-	-	-	152,886
Due to Student Groups	-	-	-	295,375
Escrows and Deposits	-	-	-	1,555,216
Total Liabilities	46,876	-	-	2,004,864
NET POSITION:				
Held in Trust for Pension Benefits and Other Purposes	\$ 74,562,323	\$ 1,923,121	\$ 389,559	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	SHREWSBURY		
	Employees Retirement		
	System Pension Trust Fund	Other Post Employment Benefit Trust Fund	Private Purpose Trust Funds
	(as of December 31, 2012)		
Additions			
Contributions:			
Employer	\$ 3,991,208	\$ 594,755	\$ -
Plan Members	2,144,002	-	-
Transfers/Reimbursements from Other Systems	214,432	-	-
Federal Grant Reimbursements	135,604	-	-
Commonwealth of Massachusetts - COLA	196,068	-	-
Private Donations	-	-	7,265
Total Contributions	6,681,314	594,755	7,265
Investment Income:			
Interest & Dividends	1,690,276	82,078	2,861
Net Change in Fair Value of Investments	7,338,999	44,969	(2,024)
Total Investment Earnings	9,029,275	127,047	837
Less Investment Expense	(418,490)	-	-
Net Investment Earnings	8,610,785	127,047	837
Total Additions	15,292,099	721,802	8,102
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	6,122,262	-	-
Refunds to Members	232,922	-	-
Transfers to Other Systems	380,691	-	-
Educational Scholarships	-	-	17,595
Charitable Expenses	-	-	45
General Expenses	86,696	-	-
Total Deductions	6,822,571	-	17,640
Change in Net Position	8,469,528	721,802	(9,538)
Net Position at Beginning of Year	66,092,795	1,201,319	399,097
Net Position at End of Year	\$ 74,562,323	\$ 1,923,121	\$ 389,559

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Shrewsbury, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1727 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Shrewsbury Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen, and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 100 Maple Avenue, Shrewsbury, Massachusetts.

The Shrewsbury Electric and Cable Operations (SELCO) - The condensed financial statements of the Shrewsbury Electric and Cable Operations (SELCO) (the Department) are included in the Proprietary Fund Types column and Business-Type Activity column of the basic financial statements. The complete financial statements can be obtained from their respective administration offices at 100 Maple Street, Shrewsbury, Massachusetts.

The Town is responsible for electing the governing board of the Shrewsbury Housing Authority. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organization. A description of the related organization follows:

The Shrewsbury Housing Authority is a public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Sherwood Middle School Construction fund* is used to account for financial resources to construct a middle school.

The *Allen farm property acquisition fund* is used to account for financial resources to acquire the land and buildings situated in the Town.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The *solid waste fund* is used to account for municipal and residential solid waste collection, processing and disposal services activities.

The *electric light fund* is used to account for activities of the government's electric distribution operations.

The *cable operations fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Shrewsbury Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *Other Post Employment Benefit Trust Fund* accounts for the activities of the Town's OPEB plan, which accumulates resources for retiree medical and life insurance benefits.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments in the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Taxes in Litigation, and Tax Liens

Property taxes are based on assessments as of January 1, 2012 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The Town mailed preliminary tax bills for the fiscal year 2013 on June 28, 2012 and September 28, 2012, that were due on August 1, 2012 and November 1, 2012 and actual bills on December 31, 2012, and April 1, 2013, that were due on February 1, 2013 and May 1, 2013, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2013 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2013	\$ 51,112,196
Add: Debt Exclusion	<u>4,738,137</u>
	<u><u>\$ 55,850,333</u></u>

The total amount raised by taxation was \$55,818,702.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair market value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User charges in the governmental funds consist of water that is levied monthly based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and are included as a lien on the property owner's tax bill.

User charges in the business-type funds consist of sewer, solid waste, electric light and cable operations that are levied monthly based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and are included as a lien on the property owner's tax bill. Sewer liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles in the sewer fund is estimated based upon historical trends and specific account analysis. The solid waste enterprise fund does not show an allowance for uncollectibles.

SELCO – Electric carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, SELCO – Electric evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on its history of past write-offs and collections and current conditions.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Special Assessments

Special assessments consist of the water and street betterments in the general fund and Title V septic loan repayments in the nonmajor funds and sewer in the business-type funds.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Loans

The Shrewsbury Electric and Cable Operations (SELCO) – Electric offers 0% interest energy conservation loans for residential and municipal customers. The loans are available for conversion of electric heating systems to energy efficient, non-electric heating systems or for other efficient upgrades, such as installation of energy efficient replacement windows, solar panels, geothermal heating systems, or additional insulation. The maximum loan amount is \$10,000 for residential loans; municipal loan amounts are determined and approved on a case by case basis. The maximum repayment period is sixty months for residential loans and varies with each municipal loan.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Materials and Supplies

Material and supplies in the electric light department are inventories of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes and are stated at cost on a first in first out basis.

Material and supplies inventory in the cable operations consist of parts and accessories for installations required for service and are stated at cost using first in first out method for valuing inventory.

H. Prepaid Expenses

Prepaid expenses in the electric light fund consist predominately of prepayments on purchased power. Prepaid expenses in the community cablevision fund are attributable to insurance, maintenance contracts and signal purchases.

I. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Capital assets (excluding land and construction in progress) for the governmental activities are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

<u>Capital Asset Type</u>	<u>Years</u>
Buildings and renovations	20-40
Machinery, equipment and other	3-10
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Capital assets of the sewer enterprise fund include construction in progress, machinery, equipment and other, and infrastructure assets (e.g. sewer mains), and are reported in the applicable business type column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The statutory provision for depreciation of the utility plant in the electric light enterprise fund and the cablevision enterprise fund is computed on a straight-line method at 3 percent of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore no depreciation is taken in the year of plant additions. Massachusetts law stipulates that SELCO – Electric may exceed the 3 percent depreciation rate only with the approval of the DPU.

SELCO – Electric charges maintenance to expense when incurred. Replacements and betterments are charged to the utility plant. At the time properties are retired, the cost of property retired less accumulated depreciation, salvage value, and any cash proceeds is charged to unappropriated earned surplus.

Property, plant and equipment for the cablevision enterprise fund is computed using percentages ranging from three to twenty percent of the cost of cablevision 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.

J. Restricted Cash and Cash Equivalents

Certain assets of the electric light fund are classified as restricted because they are maintained in separate bank accounts and their use is limited.

- The *depreciation fund* is restricted to specific uses by the General Laws of Massachusetts. Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is to be transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of utility plant, nuclear decommissioning costs, costs of contractual commitments, and deferred costs related to such commitments which the Municipal Light Board determines are above market value.
- The *rate stabilization reserve fund* was created as an aftermath of deregulation. The Municipal Light Departments of Massachusetts Reserve Trust was created and established in anticipation

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of the restructuring of the electric industry in Massachusetts, and in recognition of the fact that as such restructuring occurs. Massachusetts Municipal Wholesale Electric Company's (MMWEC's) members would face increasing competition from investor-owned utilities and neighboring municipal electric light departments. To maintain competitive posture for MMWEC's members in a deregulated environment, the Trust was created and established to provide and maintain a source of funds which could be accessed on an as needed basis for anticipated escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission increases. The rate stabilization fund balance at December 31, 2012 was \$7,561,948. The increase was interest earned on SELCO-Electric's invested balance. The balance is offset by a corresponding liability for the accumulated provisions for rate refund. SELCO-Electric utilizes the fund solely for its ratepayers.

- The *investment in other companies fund* is used to hold funds of the electric light fund's equity requirements for the Hydro-Quebec phase II interconnection as required under agreements with the New England Hydro-Transmission Electric Company, Inc. and the New England Hydro-Transmission Corporation. SELCO-Electric's ownership interest is less than one quarter of one percent in both projects. The balance at December 31, 2012 was \$16,160.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

L. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

M. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

"Depreciation" represents amounts set aside to pay for capital investments in the electric light department. The fund is allowed by state statute.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

N. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary funds statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

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O. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. For Town employees, individuals are provided for a maximum of 20 days of accumulated sick leave. To be eligible, the individual must have accumulated a minimum of 150 days of sick leave and have twenty or more years of continuous service to the Town. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

P. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

Q. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

All boards, officers and committees of the Town shall annually, at the request of the town manager, submit in writing a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments and offices during the next fiscal year.

Not less than ninety days prior to the date of the start of the annual Town meeting, the town manager shall submit to each member of the finance committee and of the board of selectmen, a copy of the annual budget.

The finance committee shall consider the annual budget prepared by the Town manager and may confer with Town boards, officers, and committees and may hold hearings if they deem it advisable.

The finance committee shall thereupon approve or disapprove the amount. The committee shall furnish to the selectmen on or before April 1st of each year a report with the recommendations and the same shall be printed and ready for distribution at the annual Town meeting.

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The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2013, the Town incurred a final budget deficit of \$8,338,879 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash votes	\$ 3,323,609
Prior year's encumbrances	<u>5,015,270</u>
	<u>\$ 8,338,879</u>

B. Deficit Fund Balances

The following fund has a deficit at June 30, 2013 as measured by the balance of unreserved fund balance.

- The Spring Street School green project capital project fund has a deficit fund balance of \$629,744. The Town has bond anticipation notes outstanding of \$725,000. The deficit will be eliminated when the long term debt is issued.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – Town's Financials

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2013 were \$24,338,122. Of these deposits, \$21,537,558 (88%) were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Shrewsbury Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. The System does not have a deposit policy for custodial credit risk.

Deposits at December 31, 2012 were \$453,311. Of these deposits, none were exposed to custodial credit risk as uninsured and uncollateralized.

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Investment Policies – Town Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2013, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
U. S. treasury obligations	\$ 7,277,067	\$ -	\$ 7,277,067	\$ -	\$ -
U. S. government agencies	6,250,271	2,221	4,329,357	1,918,693	-
Corporate bonds	7,859,888	643,863	7,216,025	-	-
Bond mutual funds	1,919,076	1,919,076	-	-	-
Municipal bonds	834,280	-	339,361	-	494,919
Money market mutual fund	4,546,698	4,546,698	-	-	-
	<u>28,687,280</u>	<u>\$ 7,111,858</u>	<u>\$ 19,161,810</u>	<u>\$ 1,918,693</u>	<u>\$ 494,919</u>
Other Investments:					
Certificates of deposits	9,867,736				
Equity mutual funds	825,942				
Equity securities - domestic	5,943,824				
MMDT	1,881,941				
	<u>\$ 47,206,723</u>				

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$47,206,723 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk

The Town's exposure to credit risk as of June 30, 2013 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 7,277,067
<i>U. S. Government Agencies:</i>	
Aaa	6,250,271
<i>Corporate Bonds:</i>	
A1	2,361,685
A3	1,488,690
Baa1	3,121,823
Baa2	525,170
Ba3	362,520
<i>Bond Mutual Funds:</i>	
Not rated	1,919,076
<i>Municipal Bonds:</i>	
Aaa	494,919
Aa2	339,361
<i>Money Market Mutual Funds:</i>	
Not rated	4,546,698
	\$ 28,687,280

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal National Mortgage Association amounting to 11.91% and Corporate bonds amounting to 14.77% of the Town's total investments.

Investment Policies – Shrewsbury Contributory Retirement System

Under PERAC regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information. At all times, the Board's investments are subject to certain limitations set forth in Massachusetts General Laws, Chapter 32. Any investment not specifically addressed in these guidelines is not allowed.

Specific policies for investments of funds for the system that have been approved by PERAC, are as follows:

- Fixed income investments shall be permitted in obligations of the United States or obligations guaranteed as to principal and interest by the Government of the United States, agency securities, corporate bonds (Yankees and bond-like convertibles), municipal bonds, mortgage-back securities (MBS, CMBS and CMO's), and asset-backed securities.
- Fixed income investments shall have a minimum quality rating of Baa/BBB as rated by one or more recognized bond rating service at the time of purchase. Fixed income investments that are downgraded below Baa/BBB shall be liquidated within a reasonable period of time determined by

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the manager so as not to be detrimental to the plan. If the manager determines it prudent to hold an investment that has been downgraded below Baa/BBB, they will be required to report at least monthly the status of said bond and reasons for holding said bond.

- No more than five percent of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and guaranteed by the United States Government, or its agencies, which may be held without limitations.
- For the purposes of these guidelines, convertible bonds and convertible preferred stocks shall be considered fixed income investments.
 - Miscellaneous provisions:
 - Use of swaps, primes, scores or other similar products are prohibited.
 - Use of margin buying is prohibited.
 - Use of derivative investments including but not limited to: Forwards, future options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and mortgage-backed securities are not considered derivative investments for the purposes of these guidelines. Short selling of securities is prohibited. Unregistered or restricted stocks are prohibited. Commodities are prohibited.
 - Commingled or mutual funds with the exception of bank STIF funds are prohibited.
 - Yankee bonds are limited to 5% of the fixed income portfolio.
 - The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with applicable laws and regulations, the statute shall prevail.

As of December 31, 2012, the System's only investment was in the Pension Reserve Investment Trust (PRIT).

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$74,163,764 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.

The System's had no exposure to credit risk as of December 31, 2012.

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Concentration of Credit Risk

The System may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. There are no qualified investments that are more than 5 percent.

B. Receivables

At June 30, 2013, receivables for the individual major governmental funds and non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	\$ 637,268	\$ (40,194)	\$ 597,074
Deferred property taxes	22,878	-	22,878
Taxes in litigation	4,954	(2,384)	2,570
Tax liens	586,635	(81,241)	505,394
Excise taxes	809,494	(392,614)	416,880
User charges	462,167	(1,000)	461,167
Special assessments	212,639	-	212,639
Due from other governments	25,503,525	-	25,503,525
	<u>\$ 28,239,560</u>	<u>\$ (517,433)</u>	<u>\$ 27,722,127</u>

At June 30, 2013 and (December 31, 2012 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer activities:			
User charges	\$ 928,789	\$ (2,000)	\$ 926,789
Special assessments	895,885	-	895,885
Due from other governments	61,094	-	61,094
	<u>1,885,768</u>	<u>(2,000)</u>	<u>1,883,768</u>
Solid waste activities:			
User charges	50,850	-	50,850
Electric light activities:			
Accounts receivable - customers	1,412,970	(85,000)	1,327,970
Loan receivable	146,907	-	146,907
Other	513,193	-	513,193
	<u>2,073,070</u>	<u>(85,000)</u>	<u>1,988,070</u>
Cablevision activities:			
Accounts receivable - customers	1,281,064	(154,000)	1,127,064
Other	57,164	-	57,164
	<u>1,338,228</u>	<u>(154,000)</u>	<u>1,184,228</u>
	<u>\$ 5,347,916</u>	<u>\$ (241,000)</u>	<u>\$ 5,106,916</u>

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The composition of other receivables in the sewer fund as of June 30, 2013 is the current portion of sewer assessments.

The composition of other receivables in the electric light enterprise fund as of December 31, 2012 is as follows:

SELCO - Cable	\$	92,950
Due from MMWEC		181,057
Due from Town departments		199,865
Merchandise & jobbing receivable		16,768
Other		<u>22,553</u>
	<u>\$</u>	<u>513,193</u>

The composition of other receivables in the cablevision enterprise fund as of December 31, 2012 is as follows:

Advertising receivables	\$	48,402
Other		<u>8,762</u>
	<u>\$</u>	<u>57,164</u>

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.

SELCO – Cable and SELCO – Electric are both enterprise funds of the Town of Shrewsbury and are under the management of the same Board of Commissioners. The accounts receivable from the Town departments and SELCO – Cable are for reimbursements to SELCO – Electric for costs in connection with shared operating expenses.

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The composition of amounts due from other governments as of June 30, 2013 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:		
School Building Assistance - Capital Portion	\$	23,460,469
Department of Elementary & Secondary Education:		
Homeless Transportation		100,252
Department of Veterans Services:		
Veterans benefits		94,939
Other:		
Shrewsbury Housing Authority		31,445
	\$	<u>23,687,105</u>

Sherwood Middle School Constuction Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:		
School Building Assistance - Capital Portion		120,915

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants	170,785
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Commonwealth of Massachusetts:

Executive Office of Public Safety and Homeland Security:		
Public safety grants		74,715
Massachusetts Highway Department:		
Chapter 90 funded projects	1,450,005	1,695,505
		<u>\$ 25,503,525</u>

The composition of amounts due from other governments as of June 30, 2013 for the business-type funds is as follows:

Business-type Funds

Sewer Fund:

Massachusetts Water Pollution Abatement Trust:

Sewer project	<u>\$ 61,094</u>
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The balance of the general fund deferred revenues account is equal to all of June 30, 2013 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$379,074.

TOWN OF SHREWSBURY, MASSACHUSETTS
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The various components of the other deferred revenue reported in the governmental funds are as follows:

General Fund:			
Deferred property taxes	\$	22,878	
Taxes in litigation		2,570	
Tax liens		505,394	
Excise taxes		416,880	
User charges		461,167	
Special assessments		132,445	
Due from other governments		<u>23,555,409</u>	\$ 25,096,743
Nonmajor Governmental Funds:			
Special assessments		80,194	
Due from other governments		<u>1,446,393</u>	<u>1,526,587</u>
			<u>\$ 26,623,330</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2013, follows;

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,399,461	\$ -	\$ (14,184)	\$ 15,385,277
Construction in progress	32,163,602	11,222,483	(3,852,980)	39,533,105
Total capital assets not being depreciated	<u>47,563,063</u>	<u>11,222,483</u>	<u>(3,867,164)</u>	<u>54,918,382</u>
Capital assets being depreciated:				
Buildings and Renovations	122,093,917	1,183,960	-	123,277,877
Machinery, equipment and other	6,721,384	432,908	(292,919)	6,861,373
Infrastructure	29,774,112	3,609,280	-	33,383,392
Total capital assets being depreciated	<u>158,589,413</u>	<u>5,226,148</u>	<u>(292,919)</u>	<u>163,522,642</u>
Less accumulated depreciation for:				
Buildings and Renovations	45,649,495	4,194,774	-	49,844,269
Machinery, equipment and other	5,334,231	398,910	(292,919)	5,440,222
Infrastructure	8,960,038	1,054,185	-	10,014,223
Total accumulated depreciation	<u>59,943,764</u>	<u>5,647,869</u>	<u>(292,919)</u>	<u>65,298,714</u>
Total capital assets being depreciated, net	<u>98,645,649</u>	<u>(421,721)</u>	<u>-</u>	<u>98,223,928</u>
Total governmental activities capital assets, net	<u>\$ 146,208,712</u>	<u>\$ 10,800,762</u>	<u>\$ (3,867,164)</u>	<u>\$ 153,142,310</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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Business-type Activities

Sewer Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 1,728,780	\$ 1,694,205	\$ (3,331,120)	\$ 91,865
Total capital assets not being depreciated	<u>1,728,780</u>	<u>1,694,205</u>	<u>(3,331,120)</u>	<u>91,865</u>
Capital assets being depreciated:				
Machinery, equipment and other	487,541	41,795	(74,200)	455,136
Infrastructure	15,784,213	3,331,120	-	19,115,333
Total capital assets being depreciated	<u>16,271,754</u>	<u>3,372,915</u>	<u>(74,200)</u>	<u>19,570,469</u>
Less accumulated depreciation for:				
Machinery, equipment and other	372,257	37,122	(74,200)	335,179
Infrastructure	7,552,865	428,072	-	7,980,937
Total accumulated depreciation	<u>7,925,122</u>	<u>465,194</u>	<u>(74,200)</u>	<u>8,316,116</u>
Total capital assets being depreciated, net	<u>8,346,632</u>	<u>2,907,721</u>	<u>-</u>	<u>11,254,353</u>
Total business-type activities capital assets, net	<u>\$ 10,075,412</u>	<u>\$ 4,601,926</u>	<u>\$ (3,331,120)</u>	<u>\$ 11,346,218</u>

Electric light activities
(as of December 31, 2012)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in progress	12,104	126,831	-	138,935
Total capital assets not being depreciated	<u>151,396</u>	<u>126,831</u>	<u>-</u>	<u>278,227</u>
Capital assets being depreciated:				
Electric utility plant	51,771,802	1,283,655	(27,150)	53,028,307
Total capital assets being depreciated	<u>51,771,802</u>	<u>1,283,655</u>	<u>(27,150)</u>	<u>53,028,307</u>
Less accumulated depreciation for:				
Electric utility plant	29,783,423	1,553,153	(27,150)	31,309,426
Total accumulated depreciation	<u>29,783,423</u>	<u>1,553,153</u>	<u>(27,150)</u>	<u>31,309,426</u>
Total capital assets being depreciated, net	<u>21,988,379</u>	<u>(269,498)</u>	<u>-</u>	<u>21,718,881</u>
Total business-type activities capital assets, net	<u>\$ 22,139,775</u>	<u>\$ (142,667)</u>	<u>\$ -</u>	<u>\$ 21,997,108</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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Cablevision activities
(as of December 31, 2012)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 588,104	\$ -	\$ (466,015)	\$ 122,089
Total capital assets not being depreciated	588,104	-	(466,015)	122,089
Capital assets being depreciated:				
Plant investment	38,518,072	3,335,587	(345,334)	41,508,325
Total capital assets being depreciated	38,518,072	3,335,587	(345,334)	41,508,325
Less accumulated depreciation	24,393,509	2,651,635	(281,063)	26,764,081
Total capital assets being depreciated, net	14,124,563	683,952	(64,271)	14,744,244
Total business-type activities capital assets, net	\$ 14,712,667	\$ 683,952	\$ (530,286)	\$ 14,866,333

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 49,060
Public safety	474,709
Public works	1,134,874
Education	3,705,325
Health and human services	78,607
Culture and recreation	205,294
Total depreciation expense - governmental activities	<u>\$ 5,647,869</u>

Business-Type Activities:

Sewer enterprise fund	\$ 465,194
Electric light enterprise fund	1,553,153
Cablevision enterprise fund	2,651,635
Total depreciation expense - business-type activities	<u>\$ 4,669,982</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2013, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor governmental fund	Business-type funds	
General fund	\$ -	\$ 19,000	\$ 912,399	\$ 931,399
Nonmajor governmental funds	1,269,821	-	-	1,269,821
Business-type funds	942,717	-	-	942,717
Total transfers out	\$ 2,212,538	\$ 19,000	\$ 912,399	\$ 3,143,937

The remaining (\$349) amount shown on the Statement of Activities represents a transfer that occurred when the year end conversion occurred from a fiscal year June 30th end to a calendar year December 31st year end for the enterprise funds.

E. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2013
Bond Anticipation Notes:						
Sherwood Middle School	1.50%	7/13/2012	\$ 2,900,000	\$ -	\$ 2,900,000	\$ -
Spring Street School	1.50%	7/13/2012	725,000	-	725,000	-
Land acquisition	1.00%	11/16/2012	6,100,000	-	6,100,000	-
Water system improvements	1.00%	11/16/2012	700,000	-	700,000	-
Sherwood Middle School	1.00%	7/12/2013	-	1,600,000	-	1,600,000
Spring Street School	1.00%	7/12/2013	-	725,000	-	725,000
			\$ 10,425,000	\$ 2,325,000	\$ 10,425,000	\$ 2,325,000

**TOWN OF SHREWSBURY, MASSACHUSETTS
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Details related to the short-term debt activity of the business-type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2013
Sewer Fund						
Massachusetts Water Pollution Abatement Trust - Interim loan						
Sewer interceptor improvements	0.15%	12/31/2012	\$ 521,736	\$ -	\$ 521,736	\$ -

F. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF SHREWSBURY, MASSACHUSETTS
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General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
Inside Debt:					
Land Acquisition - Conservation	4.74%	6/1/1999	6/1/2019	\$ 1,473,500	\$ 795,000
Land Acquisition - High School	4.75%	6/1/1999	6/1/2019	2,400,000	700,000
High School Construction - Refunded	2.64%	4/15/2010	8/15/2021	29,606,000	26,505,000
Land Acquisition - Conservation - Refunded	2.37%	4/15/2010	8/15/2019	855,000	745,000
School Renovations - Middle School West	4.05%	11/15/2004	11/15/2024	7,400,000	740,000
School Addition - Parker Road Preschool	3.72%	11/15/2004	11/15/2019	1,250,000	170,000
Elementary School Construction - refunded	4.55%	2/1/2005	2/1/2016	514,850	144,650
Elementary School Construction - refunded	4.55%	2/1/2005	2/1/2016	4,520,750	1,230,350
Fire Facilities Renovations	3.44%	2/15/2008	2/15/2026	6,800,000	4,900,000
Land Acquisition - Credit Union	2.38%	7/14/2011	7/1/2021	680,000	610,000
Land Acquisition - Allen Farm	2.85%	11/15/2012	11/15/2032	6,100,000	6,100,000
School Renovations - Middle Sch West Refunded	1.44%	4/12/2013	11/15/2024	3,985,000	3,985,000
School Addition - Parker Road Preschool Refunded	1.44%	4/12/2013	11/15/2024	435,000	435,000
Total Inside Debt					<u>47,060,000</u>
Outside Debt:					
Massachusetts Water Pollution Abatement Trust:					
Septic - Title V	N/A	10/25/2000	8/1/2018	86,947	28,976
Septic - Title V	N/A	2/1/2004	8/1/2022	105,896	55,668
Septic - Title V	N/A	11/16/2005	7/15/2025	94,573	61,470
Water Tank	2.96%	2/15/2008	2/15/2018	1,250,000	625,000
Middle School Construction	3.59%	7/14/2011	7/1/2031	20,000,000	19,000,000
Water Improvements	1.56%	11/15/2012	11/15/2022	681,000	681,000
Total Outside Debt					<u>20,452,114</u>
Subtotal governmental-type debt					67,512,114
Add:					
Unamortized gain/loss on advance refunding refunding of general obligation bonds					505,217
Total governmental type debt					<u><u>\$ 68,017,331</u></u>

Debt service requirements for principal and interest for governmental bonds payable in future fiscal years are as follows:

	Governmental	Principal	Interest	Total
2014	\$	6,381,101	\$	2,531,467
2015		6,340,099		2,309,930
2016		6,270,099		2,087,708
2017		5,780,099		1,853,396
2018		5,755,099		1,620,637
2019-2023		23,116,433		4,768,586
2024-2028		8,344,184		1,792,062
2029-2033		5,525,000		465,044
	<u>\$</u>	<u>67,512,114</u>	<u>\$</u>	<u>17,428,830</u>
			<u>\$</u>	<u>84,940,944</u>

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General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
Sewer activities:					
Inside Debt:					
Massachusetts Water					
Pollution Abatement Trust -					
Assebet River consortium	N/A	7/15/2001	2/1/2021	\$ 490,127	\$ 154,483
Assebet River consortium	N/A	7/23/2005	7/15/2020	168,653	86,456
Sewer Interceptor Improvements	2.00%	5/22/2013	1/15/2033	956,875	<u>956,875</u>
					<u>1,197,814</u>
 Electric light activities:					
(as of December 31, 2012)					
Outside Debt:					
Installation of transformers	4.23%	8/15/2001	8/15/2017	1,760,000	535,000
Electric light plant upgrade	2.52%	2/15/2008	2/15/2013	1,000,000	<u>200,000</u>
					<u>735,000</u>
 Cablevision activities:					
(as of December 31, 2012)					
Outside Debt:					
CATV Plant (Refunded)	1.62%	9/3/2009	6/1/2014	1,769,500	<u>680,000</u>
 Total Business-Type Funds					 <u><u>\$ 2,612,814</u></u>

Debt service requirements for principal and interest for the sewer enterprise fund in future fiscal years are as follows:

Year	Principal	Interest	Total
2014	\$ 65,606	\$ 19,894	\$ 85,500
2015	69,665	25,351	95,016
2016	70,524	23,454	93,978
2017	71,403	21,552	92,955
2018	72,300	19,514	91,814
2019-2023	318,642	70,566	389,208
2024-2028	250,615	43,158	293,773
2029-2033	279,059	16,984	296,043
	<u>\$ 1,197,814</u>	<u>\$ 240,473</u>	<u>\$ 1,438,287</u>

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Debt service requirements for principal and interest for the electric light enterprise funds of December 31, 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 310,000	\$ 21,913	\$ 331,913
2014	110,000	17,450	127,450
2015	105,000	13,125	118,125
2016	105,000	8,531	113,531
2017	105,000	3,282	108,282
	\$ 735,000	\$ 64,301	\$ 799,301

Debt service requirements for principal and interest for the cablevision enterprise fund as of December 31, 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 345,000	\$ 16,850	\$ 361,850
2014	335,000	6,700	341,700
	\$ 680,000	\$ 23,550	\$ 703,550

During the fiscal year ended June 30, 2013 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2012), the following changes occurred in long-term liabilities.

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 66,261,000	\$ 11,201,000	\$ 10,096,000	67,366,000	\$ 6,366,000
Massachusetts Water Pollution Abatement Trust	161,077	-	14,963	146,114	15,101
Compensated absences	1,397,387	42,608	206,345	1,233,650	419,209
OPEB obligation payable	20,155,693	4,901,553	-	25,057,246	-
Add: Unamortized gain on advance refunding	894,336	-	389,119	505,217	69,118
Governmental activity Long-term liabilities	\$ 88,869,493	\$ 16,145,161	\$ 10,706,427	\$ 94,308,227	\$ 6,869,428

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	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Business type activities:					
Sewer activities					
<i>Bond Payable:</i>					
Massachusetts Water Pollution Abatement Trust	\$ 267,837	\$ 956,875	\$ 26,898	\$ 1,197,814	\$ 65,606
<i>Compensated absences</i>	16,984	1,888	-	18,872	4,718
<i>OPEB obligation payable</i>	77,452	22,550	-	100,002	-
Total sewer activities long term liabilities	362,273	981,313	26,898	1,316,688	70,324
Electric light activities:					
(as of December 31, 2012)					
<i>Bond Payable:</i>					
General obligation bonds	1,049,000	-	314,000	735,000	310,000
Total electric light activities long term liabilities	1,049,000	-	314,000	735,000	310,000
Cablevision activities:					
(as of December 31, 2012)					
<i>Bond Payable:</i>					
General obligation bonds	1,030,000	-	350,000	680,000	345,000
<i>OPEB obligation payable</i>	497,045	-	64,112	432,933	-
Total cablevision activities long term liabilities	1,527,045	-	414,112	1,112,933	345,000
Total business type activities	\$ 2,938,318	\$ 981,313	\$ 755,010	\$ 3,164,621	\$ 725,324

Advance Refunding – April 12, 2013

On April 12, 2013, the Town issued \$4,420,000 of general obligation refunding bonds with an average interest rate of 1.44 percent to advance refund \$4,100,000 of outstanding bonds with an average interest rate of 3.85 percent. The net amount of \$4,346,108 was paid to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt account group. This advance refunding was undertaken to advance refund \$3,700,000 of the middle school west renovation and \$400,000 of the parker road preschool addition governmental activity debt. The advance refunding resulted in an economic loss of \$320,000.

To provide for the payment of the refunded debt, the Town deposited \$4,346,108 into an irrevocable fund designated the "Town of Shrewsbury MA 2013 Refunding Escrow." The balance of the 2013 refunding escrow account is \$4,346,707 on June 30, 2013.

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Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,713,253 and interest costs of \$488,294 for six loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2013 for principal and interest combined for the loans is \$1,692,796. The net repayments, including interest, are scheduled to be \$1,517,605. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2013 principal and interest subsidies totaled \$18,880.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2013 totaled \$48,257,813.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2013:

Equalized Valuation-Real Estate and Personal Property (2012)		<u>\$ 5,071,030,400</u>
Debt Limit: 5 % of Equalized value		<u>\$ 253,551,520</u>
Total Debt Outstanding		
General Debt:	\$ 67,512,114	
Less: Debt Outside Debt Limit	<u>20,452,114</u>	47,060,000
Business-type Debt:	2,067,813	
Less: Debt Outside Debt Limit	<u>870,000</u>	<u>1,197,813</u>
Total Inside Debt		<u>48,257,813</u>
Inside Debt Excess Borrowing Capacity at June 30, 2013		<u><u>\$ 205,293,707</u></u>

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Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as permanent long term debt of June 30, 2013 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting	Purpose	Amount
2/9/2010	Construct new Sherwood Middle School with assistance from Massachusetts Building Authority	\$ 25,700,000
5/17/2010	Upgrade existing sewer trunk line from Grafton Street to former sewer treatment facility Shrewsbury and Northborough line	643,125
5/18/2011	Construction and improvements of sewer trunk line from Grafton Street	3,500,000
5/18/2011	Roof and window replacements and all other related costs at the Spring Elementary School	585,000
5/24/2012	Construction, reconstruction and other improvements of sewer trunk line from Grafton Street to former sewer treatment facility	1,000,000
5/22/2013	Town's Electric Light Plant, including engineering, design, materials and installation	6,000,000
		<u>\$ 37,428,125</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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G. Fund Balances

The following is a summary of the Governmental Fund fund balances at the year ended June 30, 2013:

	General Fund	Sherwood Middle School Construction Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
Federal, state and local grants	\$ -	\$ -	\$ -	\$ 765,980	\$ 765,980
School revolving funds	-	-	-	1,820,331	1,820,331
Town revolving funds	-	-	-	130,420	130,420
Donations and gifts	-	-	-	560,099	560,099
Parks and recreation	-	-	-	226,736	226,736
Insurance	-	-	-	502,900	502,900
Debt service	1,192,183	-	-	82,907	1,275,090
Filing fees	-	-	-	223,080	223,080
Sale of cemetery lots	-	-	-	39,375	39,375
Default accounts	-	-	-	87,626	87,626
Inflow/infiltration	-	-	-	1,393,988	1,393,988
Water conservation	-	-	-	217,158	217,158
Capital projects	-	1,570,638	38,742	-	1,609,380
Permanent funds	-	-	-	1,839,922	1,839,922
Other	-	-	-	846,771	846,771
	<u>1,192,183</u>	<u>1,570,638</u>	<u>38,742</u>	<u>8,737,293</u>	<u>11,538,856</u>
Committed:					
Capital projects	-	-	-	2,787,041	2,787,041
Cemetery	-	-	-	66,064	66,064
Workers' compensation	-	-	-	42,048	42,048
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,895,153</u>	<u>2,895,153</u>
Assigned:					
General government	847,115	-	-	-	847,115
Public safety	23,130	-	-	-	23,130
Public works	4,252,249	-	-	-	4,252,249
Education	707,248	-	-	-	707,248
Health and human services	8,445	-	-	-	8,445
Culture and recreation	259,292	-	-	-	259,292
Employee benefits	2,000	-	-	-	2,000
Fiscal year 2014 budget	3,803,744	-	-	-	3,803,744
	<u>9,903,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,903,223</u>
Unassigned:					
General Fund	5,683,869	-	-	-	5,683,869
Deficit capital projects:					
Spring Street school project	-	-	-	(629,744)	(629,744)
	<u>5,683,869</u>	<u>-</u>	<u>-</u>	<u>(629,744)</u>	<u>5,054,125</u>
Total Governmental Fund Balances	<u>\$ 16,779,275</u>	<u>\$ 1,570,638</u>	<u>\$ 38,742</u>	<u>\$ 11,002,702</u>	<u>\$ 29,391,357</u>

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H. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a town meeting for any lawful purpose.

At June 30, 2013 the balance in the stabilization fund is \$350,629 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

Electric Light Enterprise Fund – Power Sales Agreement

The Town of Shrewsbury, acting through Shrewsbury Electric and Cable Operations (SELCO) – Electric, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of

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its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should Project Participant fail to make any payment when due, other Project Participants may be required to increase (step up) their payments and correspondingly, their Participant's share of that Project's Project Capability to an additional amount not exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of the eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W. F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV LLC, a subsidiary of NextEra Energy Resources (formerly FPL Energy, LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) (formerly FPL Energy Seabrook, LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources (formerly FPL Energy, LLC). The operating license for Seabrook Station extends to March 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, Congress extended the Act until the end of 2025. Shrewsbury Electric and Cable Operations has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to changes under the PSA's. The arbitration has been stayed by agreement of the parties. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's Projects amounted to \$1,593,344,000, of which \$75,910,000 represents the amount associated with the Department's share of Project Capability of the projects in which it

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participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$284,005,000, of which \$14,329,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$289,247,000, of which \$14,637,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Shrewsbury Electric and Cable Operation's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2012, and estimated for future years is shown below.

For years ended December 31, 2013	\$	3,535,000
2014		3,316,000
2015		3,152,000
2016		2,795,000
2017		1,329,000
2018 to 2021		510,000
		<u>\$ 14,637,000</u>

In addition under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSA's were \$8,106,000 and \$9,279,000 for the years ended December 31, 2012 and 2011, respectively.

Cablevision Enterprise Fund – Commitments and Contingencies

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2017.

The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2012:

For years ending December 31, 2013	\$	7,353,563
2014		5,585,273
2015		2,627,948
2016		1,948,678
2017		360,369
		<u>\$ 17,875,831</u>

Signal purchase expense under these contracts was \$6,405,227 and \$5,664,164 in 2012 and 2011, respectively.

C. Subsequent Event

Long Term Debt Authorized

On October 21, 2013 the Town authorized the borrowing of \$23,300,000 in debt, the proceeds of which will be used to finance the construction, renovation and expansion of the Shrewsbury Public Library. However, this action shall not take effect until the Town votes to exempt from the limitation on total taxes imposed under

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½) the amounts required to pay the principal of and interest on any borrowing. Proposition 2 ½ was passed by Town vote on November 5, 2013.

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 1,482 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2013 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,788,818 consisting of \$1,786,301 for the governmental activities and \$2,517 for the sewer business-type activities. For the calendar year 2012, the electric light fund and cablevision fund premiums plus implicit costs for the retiree medical program are \$468,532 and \$150,784, respectively.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

	Business Type Activities				
	Governmental Activities	Sewer Fund	Electric		Total
			Light Fund (as of December 31, 2012)	Cable Operations Fund (as of December 31, 2012)	
Annual required contribution	\$ 6,553,481	\$ 24,552	\$ 175,737	\$ 101,744	\$ 6,855,514
Interest on net OPEB obligation	806,228	3,098	(15,006)	16,782	811,102
Amortization of unfunded actuarial	(671,855)	(2,583)	12,389	(13,854)	(675,903)
Annual OPEB cost (expense)	6,687,854	25,067	173,120	104,672	6,990,713
Contributions made during the fiscal year	1,786,301	2,517	468,532	150,784	2,408,134
Increase in net OPEB obligation	4,901,553	22,550	(295,412)	(46,112)	4,582,579
Net OPEB Obligation - beginning of year	20,155,693	77,452	(310,276)	479,045	20,401,914
Net OPEB Obligation - end of year	<u>\$ 25,057,246</u>	<u>\$ 100,002</u>	<u>\$ (605,688)</u>	<u>\$ 432,933</u>	<u>\$ 24,984,493</u>

The governmental activities and the sewer fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 7,238,154	24.3%	\$15,991,766
6/30/2012	\$ 6,403,223	33.8%	\$20,233,145
6/30/2013	\$ 6,712,921	26.6%	\$25,157,248

The electric light and cable television fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 calendar year and the two preceding years were as follows:

Calendar Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 383,899	22.1%	\$ 893,808
12/31/2011	\$ 386,477	28.9%	\$ 168,769
12/31/2012	\$ 277,792	222.9%	\$ (172,755)

Funded Status and Funding Process

As of June 30, 2012, the most recent valuation date, the actuarial liability for benefits was \$73,925,774 and the actuarial value of assets was \$1,201,319, resulting in a total unfunded actuarial accrued liability (UAAL) of \$72,724,455. The covered payroll (annual payroll of active employees covered by the plan) was \$59,614,546, and the ratio of the UAAL to the covered payroll was 122.0%.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2007	\$ -	\$ 72,976,092	\$ 72,976,092	0.00%	\$52,977,722	137.7%
7/1/2010	\$ -	\$ 89,913,036	\$ 89,913,036	0.00%	\$58,901,418	152.7%
7/1/2012	\$ 1,201,319	\$ 73,925,774	\$ 72,724,455	1.63%	\$59,614,546	122.0%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The actuarial assumptions include a funded interest rate of 8% per year, net of investment expense and an unfunded interest rate of 3.50% per year, net of investment expenses and medical care inflation trend of 6.5% in 2013 decreasing .5% for the next three years to an ultimate 4.5% in 2017.

The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time. Under the pay-as-you-go method, a 30-year open basis was used for the amortization. The amortization period is 30 years for all future valuations.

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2013 the trust balance is \$1,923,121.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

E. Pension Plan

Plan Description

The Town, as a member of the Shrewsbury Contributory Retirement System participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Shrewsbury Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$8,393,231 for the fiscal year ending June 30, 2013, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2012 is as follows

Active Members	541
Inactive Members	140
Retired Members, Beneficiaries and Survivors	253
	934
	934

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases 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 1987 must be approved by the Shrewsbury Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 100 Maple Avenue, Shrewsbury, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2013, 2012 and 2011 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2013	\$ 3,321,963
2012	\$ 3,204,390
2011	\$ 3,096,489

**TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

The following schedules are presented in accordance with the GASB No. 25.

**Schedule of Funding Progress
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2012	\$ 71,864	\$ 105,086	\$ 33,222	68.4%	\$ 22,672	146.5%
1/1/2010	\$ 64,467	\$ 91,059	\$ 26,592	70.8%	\$ 22,460	118.4%
1/1/2008	\$ 65,665	\$ 85,257	\$ 19,591	77.0%	\$ 22,403	87.4%

The last actuarial valuation was prepared by Sherman Actuarial Services, LLC as of January 1, 2012. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% compounded annually and (b) projected salary, including longevity, increases of 3.5% for 2013 and the years after.

The unfunded actuarial liability for the system is \$33,222,497.

Reporting Policies

The funds of the Shrewsbury Contributory Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances
	July 1, 2012								June 30, 2013
Special Revenue:									
Federal and State Grants:									
School Grants	\$ 256,471	\$	2,533,717	\$	2,692,363	\$	-	\$	97,825
Arts Lottery Council Grant	6,189		5,933		6,254		-		5,868
Elderly Programs	12,601		46,116		42,540		-		16,177
Extended Polling Hours	-		9,184		9,184		-		-
Highway Grants	-		1,447,097		1,447,097		-		-
Lakes and Ponds Grants	14,299		-		4,583		-		9,716
Library Grants	222,632		49,821		71,804		-		200,649
Other Grants and Programs	8,944		70,000		11,722		-		67,222
Public Safety Grants	22,672		116,865		117,734		-		21,803
Schools:									
School Lunch Program	56,810		1,600,498		1,586,873		-		70,435
School Lunch Commodities	-		107,238		107,238		-		-
Revolving Accounts	1,227,257		4,070,221		3,613,090		-		1,684,388
School Choice	69,568		69,167		73,227		-		65,508
State Special Education Reimbursement Fund	190,169		2,502,777		2,457,246		-		235,700
Other:									
Council on Aging Van Revolving	68,989		25,980		11,419		-		83,550
Donahue Rowing Center Revolving	-		79,099		39,534		(39,565)		-
Filing Fees	285,339		71,557		133,816		-		223,080
Gifts and Donations	518,546		399,983		354,930		(3,500)		560,099
Infiltration and Inflow	1,231,284		162,704		-		-		1,393,988
Insurance Reimbursements	515,397		17,396		29,893		-		502,900
Interest on School Borrowing	182,775		133		-		(100,000)		82,908
Law Enforcement Fund	15,810		6,835		3,519		-		19,126
Parks and Recreation Revolving	238,617		299,258		311,139		-		226,736
Police Off Duty Revolving	-		417,713		406,923		-		10,790
Public Buildings Revolving	11,881		27,486		20,195		-		19,172
Sale of Cemetery Lots	36,395		20,980		-		(18,000)		39,375
Sale of Real Estate	30,000		-		-		(30,000)		-
Septic Loan Program	10,743		-		-		-		10,743
Septic Loan Repayment Fund	155,314		11,686		-		(14,963)		152,037
Special Needs Recreation Fund	20,548		8,763		12,402		-		16,909
Surety Defaults	102,536		-		14,910		-		87,626
Water Conservation Fund	171,672		70,486		-		(25,000)		217,158
Total Special Revenue	\$ 5,683,458	\$	14,248,693	\$	13,579,635	\$	(231,028)	\$	6,121,488

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Continued from Page 64					
Special Revenue (continued):					
Other (continued):					
Cemetery Stabilization Fund	53,313	12,751	-	-	66,064
Rowing Center Fund	558,124	1,111	-	39,565	598,800
Workers Compensation Fund	42,048	-	-	-	42,048
Total Special Revenue Funds	6,336,943	14,262,555	13,579,635	(191,463)	6,828,400
Capital Projects:					
Lakeway State Grant	20,796	-	-	-	20,796
Public Works Projects	127,724	-	37,501	-	90,223
Spring Street School Green Project	(273,407)	263,339	619,676	-	(629,744)
Water Projects	3,165,399	-	-	(378,358)	2,787,041
Total Capital Projects	3,040,512	263,339	657,177	(378,358)	2,268,316
Permanent Funds:					
Cemetery Funds	1,284,102	33,144	9,930	-	1,307,316
Library Funds	616,027	2,094	19,451	-	598,670
Total Permanent Funds	1,900,129	35,238	29,381	-	1,905,986
Total - Non-Major Governmental Funds	\$ 11,277,584	\$ 14,561,132	\$ 14,266,193	\$ (569,821)	\$ 11,002,702

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, AND
SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2012 TO JUNE 30, 2013**

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
Real Estate Taxes:						
Levy of 2013	\$ -	\$ 55,029,562	\$ 434,773	\$ 54,048,803	\$ 545,986	\$ 545,986
Levy of 2012	261,608	-	163,533	91,745	6,330	6,330
Levy of 2011	892	-	7,007	(5,986)	(129)	(129)
Levy of 2010	(81)	-	3,191	(3,191)	(81)	(81)
Levy of 2009	578	-	9,942	(9,942)	578	578
Prior Years	(2,421)	-	-	15	(2,436)	(2,436)
	<u>260,576</u>	<u>55,029,562</u>	<u>618,446</u>	<u>54,121,444</u>	<u>550,248</u>	<u>550,248</u>
Personal Property Taxes:						
Levy of 2013	-	812,894	3,823	804,717	4,354	4,354
Levy of 2012	4,173	-	-	82	4,091	4,091
Levy of 2011	(7,026)	-	-	(10,885)	3,859	3,859
Levy of 2010	(1,845)	-	-	39	(1,884)	(1,884)
Levy of 2009	1,950	-	42,589	(43,672)	3,033	3,033
Prior Years	31,387	-	-	(4,508)	35,895	35,895
	<u>28,639</u>	<u>812,894</u>	<u>46,412</u>	<u>745,773</u>	<u>49,348</u>	<u>49,348</u>
Supplemental Taxes	<u>34,662</u>	<u>173,538</u>	<u>3,088</u>	<u>167,440</u>	<u>37,672</u>	<u>37,672</u>
Total Real Estate, Personal Property, and Supplemental Taxes	<u>\$ 323,877</u>	<u>\$ 56,015,994</u>	<u>\$ 667,946</u>	<u>\$ 55,034,657</u>	<u>\$ 637,268</u>	<u>\$ 637,268</u>
Deferred Property Taxes	<u>\$ 21,647</u>	<u>\$ 1,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,878</u>	<u>\$ 22,878</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2012 TO JUNE 30, 2013**

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
Motor Vehicle Excise Taxes:						
Levy of 2013	\$ -	\$ 4,618,517	\$ 91,807	\$ 4,216,466	\$ 310,244	\$ 310,244
Levy of 2012	226,982	506,988	81,507	598,943	53,520	53,520
Levy of 2011	53,239	362	3,288	22,976	27,337	27,337
Levy of 2010	26,998	-	1,022	4,444	21,532	21,532
Levy of 2009	20,037	-	83	1,637	18,317	18,317
Prior Years	383,019	-	54	4,421	378,544	378,544
Total Motor Vehicle Excise Taxes	\$ 710,275	\$ 5,125,867	\$ 177,761	\$ 4,848,887	\$ 809,494	\$ 809,494

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2012 TO JUNE 30, 2013**

	Uncollected Accounts July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2013	Uncollected Accounts Per Detail June 30, 2013
Tax Liens	\$ 460,065	\$ 277,054	\$ -	\$ 150,484	\$ 586,635	\$ 586,943
Taxes in Litigation	\$ 3,120	\$ 4,434	\$ -	\$ 2,600	\$ 4,954	\$ 4,954