

RULE 15c2-12 FILING COVER SHEET

This cover sheet is sent with all submissions to the Municipal Securities Rulemaking Board (the Nationally Recognized Municipal Securities Information Repository) and any applicable State Information Depository pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 or any analogous state statute.

Issuer Name: Town of Shrewsbury, Massachusetts

Issue(s):

- \$ 9,050,000 General Obligation Municipal Purpose Loan of 2008 Bonds Dated 2/15/08
- \$ 4,465,000 General Obligation Refunding Bonds Dated 9/3/09
- \$ 31,110,000 General Obligation Refunding Bonds Dated 4/15/10
- \$ 20,680,000 General Obligation Municipal Purpose Loan of 2011 Bonds Dated 7/14/11
- \$ 6,100,000 General Obligation Land Acquisition Bonds, Series A (Subject to Federal and Massachusetts Income Taxation) Dated 11/15/12
- \$ 681,000 General Obligation Water Bonds, Series B Dated 11/15/12
- \$ 4,420,000 General Obligation Refunding Bonds Dated 4/12/13
- \$ 6,635,000 General Obligation Municipal Purpose Loan of 2014 Bonds Dated 1/23/14
- \$ 9,745,000 General Obligation Library Bonds Dated July 28, 2016

Filing Format X electronic ___ paper; If available on the Internet, give URL: _____

CUSIP Numbers to which the information filed relates (optional):

X Nine-digit number(s) (see following page(s)):

___ Six-digit number if information filed relates to all securities of the issuer

* * *

Financial & Operating Data Disclosure Information

- X Annual Financial Report or CAFR
- X Financial Information & Operating Data
- ___ Other (describe) _____

___ Fiscal Period FYE 2016
___ Monthly ___ Quarterly X Annual ___ Other: _____

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ Carolyn Marcotte

Name: Carolyn Marcotte Title: Treasurer

Employer: Town of Shrewsbury, Massachusetts

Voice Telephone Number: (508) 841-8355

Email Address: cmarcotte@shrewsburyma.gov

DESCRIPTION OF ISSUES COVERED BY THIS REPORT

General Obligation Municipal Purpose Loan of 2008 Bonds Dated 2/15/08

Date	Principal	CUSIP
02/15/18	\$ 505,000	825502UC9
02/15/19	380,000	825502UD7
02/15/20	380,000	825502UE5
02/15/21	375,000	825502UF2
02/15/22	375,000	825502UG0
02/15/23	375,000	825502UH8
02/15/24	375,000	825502UJ4
02/15/25	370,000	825502UK1
02/15/26	370,000	825502UL9
	<u>\$ 3,505,000</u>	

General Obligation Refunding Bonds Dated 9/3/09

Date	Principal	CUSIP
06/01/17	\$ 265,000	825502 UV7
06/01/18	260,000	825502 UW5
06/01/19	150,000	825502 UX3
	<u>\$ 675,000</u>	

General Obligation Refunding Bonds Dated 4/15/10

Date	Principal	CUSIP
08/15/17	\$ 3,140,000	825502 VE4
08/15/18	3,030,000	825502 VF1
08/15/19	3,020,000	825502 VG9
08/15/20	2,905,000	825502 VH7
08/15/21	2,895,000	825502 VJ3
	<u>\$ 14,990,000</u>	

General Obligation Municipal Purpose Loan of 2011 Bonds Dated 7/14/11

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
07/01/17	\$ 1,070,000	825502VS3
07/01/18	1,065,000	825502VT1
07/01/19	1,065,000	825502VU8
07/01/20	1,065,000	825502VV6
07/01/21	1,065,000	825502VW4
07/01/22	1,000,000	825502VX2
07/01/23	1,000,000	825502VY0
07/01/24	1,000,000	825502VZ7
07/01/25	1,000,000	825502WA1
07/01/26	1,000,000	825502WB9
07/01/27	1,000,000	825502WC7
07/01/28	1,000,000	825502WD5
07/01/29	1,000,000	825502WE3
07/01/30	1,000,000	825502WF0
07/01/31	1,000,000	825502WG8
	<u>\$ 15,330,000</u>	

**General Obligation Land Acquisition Bonds, Series A (Subject to Federal and Massachusetts Income Taxation)
Dated 11/15/12**

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
11/15/17	\$ 305,000	825502WQ6
11/15/18	305,000	825502WR4
11/15/19	305,000	825502WS2
11/15/20	305,000	825502WT0
11/15/21	305,000	825502WU7
11/15/22	305,000	825502WV5
11/15/23	305,000	825502WW3
11/15/24	305,000	825502WX1
11/15/25	305,000	825502WY9
11/15/26	305,000	825502WZ6
11/15/27	305,000	825502XA0
11/15/28	305,000	825502XB8
11/15/29	305,000	825502XC6
11/15/30	305,000	825502XD4
11/15/31	305,000	825502XE2
11/15/32	305,000	825502XF9
	<u>\$ 4,880,000</u>	

General Obligation Water Bonds, Series B Dated 11/15/12

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
11/15/17	\$ 70,000	825502XL6
11/15/18	70,000	825502XM4
11/15/19	65,000	825502XN2
11/15/20	65,000	825502XP7
11/15/21	65,000	825502XQ5
11/15/22	65,000	825502XR3
	<u>\$ 400,000</u>	

General Obligation Refunding Bonds Dated 4/12/13

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
11/15/17	\$ 495,000	825502 XW2
11/15/18	480,000	825502 XX0
11/15/19	470,000	825502 XY8
11/15/20	380,000	825502 XZ5
11/15/21	370,000	825502 YA9
11/15/22	360,000	825502 YB7
11/15/23	350,000	825502 YC5
11/15/24	340,000	825502 YD3
	<u>\$ 3,245,000</u>	

General Obligation Municipal Purpose Loan of 2014 Bonds Dated 1/23/14

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
01/15/18	\$ 365,000	825502YJ0
01/15/19	365,000	825502YK7
01/15/20	365,000	825502YL5
01/15/21	365,000	825502YM3
01/15/22	360,000	825502YN1
01/15/23	360,000	825502YP6
01/15/24	360,000	825502YQ4
01/15/25	300,000	825502YR2
01/15/33	2,400,000	825502YZ4
01/15/34	300,000	825502ZA8
	<u>\$ 5,540,000</u>	

General Obligation Library Bonds Dated July 28, 2016

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
07/15/17	\$ 490,000	825502ZD2
07/15/18	490,000	825502ZE0
07/15/19	490,000	825502ZF7
07/15/20	490,000	825502ZG5
07/15/21	490,000	825502ZH3
07/15/22	490,000	825502ZJ9
07/15/23	490,000	825502ZK6
07/15/24	490,000	825502ZL4
07/15/25	490,000	825502ZM2
07/15/26	485,000	825502ZN0
07/15/27	485,000	825502ZP5
07/15/28	485,000	825502ZQ3
07/15/29	485,000	825502ZR1
07/15/30	485,000	825502ZS9
07/15/31	485,000	825502ZT7
07/15/32	485,000	825502ZU4
07/15/33	485,000	825502ZV2
07/15/34	485,000	825502ZW0
07/15/35	485,000	825502ZX8
07/15/36	485,000	825502ZY6
	<u>\$ 9,745,000</u>	

CONTINUING DISCLOSURE REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2016

TOWN OF SHREWSBURY, MASSACHUSETTS

GENERAL OBLIGATION DEBT



FINANCIAL STATEMENTS

The audited financial statements for the Town for the fiscal year ended June 30, 2016 are being separately filed directly with the Nationally Recognized Municipal Securities Information Repository and any applicable State Information Depository, and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

SIGNATURE OF ISSUER

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described.

TOWN OF SHREWSBURY, MASSACHUSETTS

/s/ Carolyn Marcotte

Carolyn Marcotte

Treasurer

Approved for Submission:

03/20/2017

Date

CERTIFICATE OF SUBMISSION OF ANNUAL REPORT

Subject to the continuing disclosure requirements of SEC Rule 15c2-12, this Annual Continuing Disclosure Report for the Town of Shrewsbury, Massachusetts with respect to the issues listed on the report cover was submitted directly to the National Recognized Municipal Securities Information Repository ("NRMSIR") listed below as well as to any applicable State Information Depository ("SID").

NRMSIR

Municipal Securities Rulemaking Board ("MSRB")
via the Electronic Municipal Market Access ("EMMA") system

FirstSouthwest, A Division of Hilltop Securities Inc.

Signed by:

/s/ Henriqueta Da Costa

Annual Report

TOWN OF SHREWSBURY, MASSACHUSETTS

**For The Fiscal Year Ended
June 30, 2016**

TOWN OF SHREWSBURY, MASSACHUSETTS
/s/ Carolyn J. Marcotte, Town Treasurer

Filing Date: March 27, 2017

TOWN OF SHREWSBURY, MASSACHUSETTS

General

The Town of Shrewsbury is located in Worcester County approximately 35 miles west of Boston and borders the City of Worcester on the east. Incorporated as a town in 1727, Shrewsbury has a population of approximately 35,608 (2010 U.S. Bureau of the Census) and occupies a land area of 20.78 square miles. The Town is governed by a representative town meeting and administered by a five-member Board of Selectmen and a Town Manager. The following table sets forth the Town's principal executive officials.

PRINCIPAL TOWN OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Selectman, Chair	Maurice M. DePalo	Elected	May 2017
Selectman, Vice Chair	James F. Kane	Elected	May 2018
Selectman	Henry Fitzgerald	Elected	May 2017
Selectman	Moira Miller	Elected	May 2019
Selectman	John I. Lebeaux	Elected	May 2019
Town Manager	Daniel J. Morgado	Appointed	September 2018
Treasurer/Collector	Carolyn J. Marcotte	Appointed	March 2019
Town Accountant	Mary E. Thompson	Appointed	December 2019
Town Clerk	Sandra E. Wright	Appointed	March 2018
Town Counsel	Stephen F. Madaus	Appointed	June 2017

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, collection and disposal of rubbish, public education in grades kindergarten through twelve, street maintenance and parks and recreational facilities.

Shrewsbury's water department is a self-supporting operation servicing approximately 98% of the Town by seven pumping stations, three booster stations, five water storage tanks and over 130 miles of water mains. The Town's sewer department services approximately 80% of the Town. Sewer costs are met, in part, by betterment assessments and user charges and are generally sufficient to cover sewer operating expenses, exclusive of the debt service applicable to the Westborough Wastewater Treatment Facility as prescribed by the facility's enabling legislation.

Shrewsbury Electric and Cable Operations (SELCO) - Electric: The Town has operated a municipal light department since 1908. Electric energy is purchased from Massachusetts Municipal Wholesale Electric Company, through bilateral contracts, and in the spot market. SELCO is subject to regulation by the Massachusetts Department of Public Utilities.

SELCO - Cable: SELCO operates a state-of-the-art cable television system which began in 1983, and now provides basic, digital and HD video, internet and telephone services to all the homes and businesses in the Town. Currently SELCO has 11,875 cable, 10,100 Internet and 3,570 telephone customers.

SELCO's rates and charges are set to cover all operating and ordinary capital expenditures.

Upon the abolishment of Worcester County in 1998 the Commonwealth assumed the provision of all principal county services, including the jail, house of correction and the registry of deeds. The legislation which abolished Worcester County required the State Secretary for Administration and Finance to establish a plan to recover the Commonwealth's expenditures for liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered.

Education

The Town's public school facilities presently include an early childhood center for Pre-K to Kindergarten; four elementary schools for grades 1 through 4; two middle schools, grades 5 & 6 in Sherwood Middle School and grades 7 & 8 in Oak Middle School and a new state of the art senior high school (grades 9-12). In addition, the Town leases a 2,500 square foot facility for the Pre-K special education classes.

The following table sets forth the trend in public school enrollments for the Town for the school years indicated.

PUBLIC SCHOOL ENROLLMENTS OCTOBER 1,

	Actual				
	2012	2013	2014	2015	2016
Elementary (PreK - 4)	2,450	2,423	2,369	2,377	2,419
Middle School (5 - 8)	1,366	1,941	1,963	2,001	1,980
High School (9 - 12)	1,631	1,651	1,685	1,668	1,792
Totals	<u>5,447</u>	<u>6,015</u>	<u>6,017</u>	<u>6,046</u>	<u>6,191</u>

Industry and Commerce

Shrewsbury is primarily a residential suburban community, with a diversified manufacturing base located within the Worcester Standard Metropolitan Statistical Area.

EMPLOYMENT AND PAYROLLS

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2011	2012	2013	2014	2015
Construction	460	479	593	616	662
Manufacturing	715	733	774	775	761
Trade, Transportation & Utilities	4,951	4,824	5,084	5,730	5,444
Information	160	160	156	146	189
Financial Activities	388	393	366	357	354
Professional and Business Services	664	673	733	730	683
Education and Health Services	3,948	4,136	3,770	3,887	4,197
Leisure and Hospitality	1,044	1,098	1,139	1,246	1,182
Other Services	360	407	366	374	363
Total Employment	<u>12,690</u>	<u>12,903</u>	<u>12,981</u>	<u>13,861</u>	<u>13,835</u>
Number of Establishments	906	862	887	915	947
Average Weekly Wages	\$ 864	\$ 886	\$ 907	\$ 920	\$ 960
Total Wages	<u>\$ 580,232,106</u>	<u>\$ 605,954,320</u>	<u>\$ 623,621,829</u>	<u>\$ 657,042,451</u>	<u>\$ 702,853,773</u>

The following table lists the Town's largest employers, excluding the Town itself.

LARGEST EMPLOYERS

<u>Company Name</u>	<u>Company Description</u>	<u>Number of Employees</u>
Mescaster Co., Inc. (UPS)	Parcel Delivery	1,275
UMass System	Administration	500
Metso Automation	Manufacturing	500
Seagate Inc.	Data Storage	500
UMass Online Collaborative	Administration	250
AA Transportation	Transportation	100
Exsel Plastics	Manufacturing	100
Price Chopper	Super Market	100
Shrewsbury Nursing Rehab. Center	Nursing/Rehab.	100
Hebert Confections	Manufacturing/Retail	100

SOURCE: The individual employers listed.

UNEMPLOYMENT RATES

According to the Massachusetts Department of Employment and Training preliminary data, in December 2016, the Town had a total labor force of 19,875 of which 19,434 were employed and 441 or 2.2% were unemployed as compared with 2.8% for the Commonwealth. The following table sets for the Labor force and unemployment rates for the Town of Shrewsbury as well as the unemployment rates for the Commonwealth and the Commonwealth for the years indicated.

<u>Year</u>	<u>Town of Shrewsbury</u>		<u>Massachusetts</u>		<u>United States</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>		
2015	19,603	3.9 %	5.0 %	5.3 %		
2014	19,526	4.4	5.8	6.2		
2013	18,232	6.0	7.1	7.4		
2012	18,154	5.6	6.7	8.1		
2011	18,235	6.0	6.6	8.3		

SOURCE: Mass. Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence not place of employment.

BUILDING PERMITS

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the calendar years indicated. Permits are filed for both private construction and Town projects.

<u>Calendar Year</u>	<u>New Construction</u>		<u>Non-Residential</u>		<u>Additions/Alterations</u>		<u>Total</u>	
	<u>Residential</u>							
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2016	49	\$ 36,305,812	15	\$ 25,952,168	929	\$ 20,227,967	993	\$ 82,485,947
2015	54	13,011,705	10	21,823,484	745	21,022,611	809	55,857,800
2014	53	13,488,925	8	14,965,392	896	20,422,590	957	48,876,907
2013	81	19,744,381	6	1,906,676	972	22,860,892	1,059	44,511,949
2012	59	18,724,100	2	3,431,105	1027	19,393,652	1,088	41,548,857

SOURCE: Report of the Building Inspector.

Population and Income

The following table compares the median age, median family income and per capita income for Shrewsbury, the Commonwealth, and the United States as a whole.

	<u>Shrewsbury</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2010	38.8	38.9	37.2
2000	37.6	36.5	35.3
1990	33.7	33.6	32.9
Median Family Income:			
2010	\$104,035	\$ 81,165	\$51,144
2000	64,237	61,664	50,046
1990	53,208	44,367	35,225
Per Capita Income:			
2010	\$38,223	\$ 33,966	\$27,334
2000	31,570	25,952	21,587
1990	20,508	17,224	14,420

(1) Estimate by Federal Census Bureau

POPULATION TRENDS

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
35,608	31,640	24,146	22,674

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

The principal general fund revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (See "Taxation to Meet Deficits").

The following table illustrates the trend in the manner in which the tax levy was determined.

TAX LEVY COMPUTATION

	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>
Total Appropriations(1)	<u>\$105,576,395</u>	<u>\$109,611,071</u>	<u>\$117,989,602</u>	<u>\$121,454,658</u>	<u>\$123,166,289</u>
Additions:					
State and County Assessments	1,900,158	1,807,169	1,700,006	1,610,178	1,252,732
Overlay Reserve	525,318	763,800	513,182	638,530	736,103
Other Additions	<u>157,152</u>	<u>146,436</u>	<u>82,873</u>	<u>65,304</u>	<u>55,089</u>
Total Additions	<u>2,582,628</u>	<u>2,717,405</u>	<u>2,296,061</u>	<u>2,314,012</u>	<u>2,043,924</u>
Gross Amount to be Raised	<u>108,159,022</u>	<u>112,328,476</u>	<u>120,285,663</u>	<u>123,768,670</u>	<u>125,210,213</u>
Deductions:					
Local Estimated Receipts	13,015,500	13,147,271	14,181,500	14,564,500	14,631,500
State Aid(2):					
Current Year	25,140,866	25,287,118	25,385,557	25,553,814	25,976,884
Available Funds(3):					
Free Cash	3,091,495	3,939,580	3,360,003	3,209,000	3,347,697
Municipal Light	753,254	237,569	237,569	800,000	237,569
Cable Television	175,463	792,811	800,000	237,569	800,000
Free Cash & Other Revenue Used to Reduce the Tax Rate	500,000	500,000	500,000	500,000	500,000
Other Available Funds	<u>9,663,743</u>	<u>10,386,313</u>	<u>10,523,072</u>	<u>11,354,806</u>	<u>10,000,462</u>
Total Deductions	<u>52,340,321</u>	<u>54,290,662</u>	<u>54,987,701</u>	<u>56,219,689</u>	<u>55,494,112</u>
Net Amount to be Raised (Tax Levy)	<u>\$55,818,702</u>	<u>\$58,037,814</u>	<u>\$65,297,962</u>	<u>\$67,548,981</u>	<u>\$69,716,101</u>

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.

(2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. See "Reduction in State Aid" below.

(3) Transfers from other available funds, including "free cash", generally made as an offset to a particular appropriation item.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the

taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

A professional revaluation of all real and personal property in the Town to full and fair cash value was most recently completed for use in fiscal year 2014.

The following table sets forth the trend in the Town's assessed valuations, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Rate Per \$1,000 of Valuation	Tax Rate Per Capita
2017	\$ 5,356,784,616	\$ 77,050,240	\$ 5,433,834,856	\$ 69,716,101	\$ 12.83	\$ 1,958
2016	5,123,197,839	72,877,660	5,196,075,499	67,548,981	13.20	1,897
2015	4,870,742,237	76,073,050	4,946,815,287	65,297,962	13.20	1,834
2014 (1)	4,699,171,433	69,753,300	4,768,924,733	58,037,814	12.17	1,630
2013	4,715,474,355	67,619,247	4,783,093,602	55,818,702	11.67	1,568

(1) Revaluation year.

Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate in fiscal years 2015, 2016 and 2017.

Property Type	2015		2016		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 4,305,688,727	87.0 %	\$ 4,523,234,723	87.1 %	\$ 4,706,109,316	90.6 %
Commercial	398,296,772	8.1	433,197,826	8.3	475,721,834	9.2
Industrial	166,756,738	3.4	166,765,290	3.2	74,953,466	1.4
Personal	76,073,050	1.5	72,877,660	1.4	77,050,240	1.5
Total Real Estate	\$ 4,946,815,287	100.0 %	\$ 5,196,075,499	100.0 %	\$ 5,333,834,856	102.7 %

(1) Revaluation year.

Largest Taxpayers

The following table lists the largest taxpayers in the Town based upon assessed valuations for fiscal year 2017. All taxpayers listed below are current in their tax payments.

Name	Nature of Business	Total Assessed Valuation for Fiscal 2017	Percent of Total
IREIT Shrewsbury White City	Shopping Center	\$ 83,945,000	1.6 %
WCS 333 South St Inc.	Office Building	65,020,501	1.3
Home Properties Haynes Farm LLC	Apartments	47,494,700	0.9
Audubon Shrewsbury LLC	Apartments	40,543,400	0.8
Charles River Laboratories, Inc.	Research	30,103,800	0.7
Southgate at Shrewsbury Inc.	Assisted Living	28,242,200	0.6
SSB Realty LLC	Real Estate	27,903,000	0.5
Shrewsbury Commons LLC	Apartments	23,771,000	0.4
Chartwell Shrewsbury	Apartments	23,729,700	0.4
Sheridan Apartments	Apartments	22,464,600	0.3
Total		<u>\$ 244,252,400</u>	<u>7.50</u>

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the State Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the Town of Shrewsbury.

January 1,	State Equalized Valuation	% Change
2016	\$ 5,538,400,100	11.33 %
2014	4,974,698,800	(1.90)
2012	5,071,030,400	0.13
2010	5,064,277,500	(6.60)
2008	5,422,224,900	7.54

Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve for the following fiscal years and actual abatements granted against each levy through June 30, 2016.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted
		Dollar Amount	As a % of Net Levy	
2016	\$66,910,451	\$638,530	1.0 %	\$205,488
2015	64,784,780	513,812	0.8	298,680
2014	57,274,014	763,800	1.3	240,353
2013	55,293,384	525,318	1.0	319,758
2012	52,293,965	715,019	1.4	345,983

(1) Gross tax levy minus overlay reserve for abatements.

Tax Collections

The Town's taxes are payable in quarterly installments due August 1, November 1, February 1, and May 1 of each fiscal year. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the current and last four fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2016	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2016	\$ 67,548,981	\$ 638,530	\$ 66,910,451	\$ 66,652,173	99.6 %	\$ 66,652,173	99.6 %
2015	65,297,962	513,182	64,784,780	63,652,497	98.3	64,742,550	99.9
2014	58,037,814	763,800	57,274,014	57,166,211	99.8	57,528,420	100.4
2013	55,818,702	525,318	55,293,384	54,794,060	99.1	55,269,821	100.0
2012	53,008,985	715,020	52,293,965	52,422,071	100.2	52,497,602	100.4

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

The following table sets forth the trend in the amount of tax titles and possessions as of the end of the fiscal year.

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>
2016	\$ 856,790
2015	764,391
2014	786,024
2013	658,787
2012	476,000

Taxation to Meet Deficits

As noted elsewhere (see "Overlay," above) overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as "Proposition 2 ½", imposes two separate limits on the annual tax levy of a city or town. The law is subject to amendment or repeal by the legislature.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exception for property added to the tax rolls or property which has had an increase other than as part of a general revaluation, in its assessed valuation over the prior year's valuation. This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of the city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt

service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations.

It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 ½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 ½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2 1/2 limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2 ½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option." Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2 1/2 any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town has been in full compliance with Proposition 2 ½ since its inception.

The table below presents the Town's primary levy limits, its maximum levy limits, and its actual tax levies for fiscal years 2013 through 2017.

Unused Levy Capacity (1)

	Fiscal Year				
	2013	2014	2015	2016	2017
Primary Levy Limit (2)	\$ 119,577,340	\$ 119,223,118	\$ 123,670,382	\$ 129,901,887	\$ 135,845,871
Prior Fiscal Year Levy Limit	49,274,592	51,112,196	53,154,625	60,663,759	63,147,496
2.5% Levy Growth	1,231,865	1,277,805	1,328,866	1,516,778	1,580,934
Current Fiscal Year New Growth (3)	605,739	756,076	680,268	959,612	953,185
Amended Prior Year Growth	-	-	-	7,347	-
Overrides	-	-	5,500,000	-	-
Growth Levy Limit	51,112,196	53,146,077	60,663,759	63,147,496	65,681,615
Debt Exclusions	4,738,137	4,893,540	4,679,630	4,452,880	3,973,523
Maximum Tax Levy Limit	55,850,333	58,039,617	65,343,389	67,600,376	69,655,138
Tax Levy	55,818,702	58,037,814	65,297,962	67,548,981	69,716,101
Unused Levy Capacity (4)	<u>\$ 31,631</u>	<u>\$ 1,803</u>	<u>\$ 45,427</u>	<u>\$ 51,395</u>	<u>\$ (60,963)</u>
Unused Primary Levy Capacity (5)	<u>\$ 68,465,144</u>	<u>\$ 66,077,041</u>	<u>\$ 63,006,623</u>	<u>\$ 66,754,391</u>	<u>\$ 70,164,256</u>

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations – certified by the Department of Revenue.

(4) Maximum Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See “Tax Increment Financing for Development Districts” below).

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not adopted the Community Preservation Act.

TOWN FINANCES

Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting which takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at town meetings.

In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and under certain circumstances and subject to certain limits and requirements the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department. The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

Enterprises: The Town meeting does not vote general operating appropriations for the Electric and Community Cablevision departments, but authorizes these self-supporting enterprises to make expenditures from receipts. The manager of the Light Department under the direction and control of the Municipal Light Board may appropriate funds without town approval for both departments.

Mandatory Items: Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the appropriations voted at town meeting.

Revenues: Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION-Tax Levy Computation".)

Budget Trends

The following table sets forth the trend in operating budgets as voted at annual town meeting. As such, said budgets do not reflect revenues, mandatory items and expenditures authorized for non-recurring (generally capital) purposes under "special" warrant articles or transfers occurring subsequent to the annual town meeting.

BUDGET COMPARISON

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
General Government	\$16,057,176	\$16,231,883	\$17,729,935	\$17,749,349	\$18,914,773
Protection of Persons	7,407,029	7,504,721	7,837,825	8,271,476	8,353,272
Health and Sanitation	505,808	546,723	555,571	688,932	672,833
Public Works	4,442,121	4,468,347	5,307,039	4,880,245	4,917,876
Human Services, Library and Recreation	1,450,828	1,517,641	1,511,454	1,540,319	1,600,200
Education	49,864,477	52,040,646	57,196,278	58,455,519	60,407,383
Debt and Interest	9,767,056	9,523,874	9,420,193	9,417,490	8,978,680
Employee Benefits	3,320,189	4,270,034	4,448,234	4,922,797	5,125,289
State Assessments	1,869,970	1,822,327	1,726,798	1,577,067	1,265,130
	<u>\$94,684,654</u>	<u>\$97,926,196</u>	<u>\$105,733,327</u>	<u>\$107,503,194</u>	<u>\$110,235,436</u>

Revenues

Property Taxes: Property taxes are the major source of general fund revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION- Tax Limitations" above.

State Aid: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the

amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate. In fiscal 2015, state aid in the general fund totaled \$21,950,277. In fiscal 2016, state aid in the general fund totaled \$22,167,962.

Education Reform: State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since its passage, the Town has complied with the Act and appropriations for education have equaled or exceeded the minimum required level.

State School Building Assistance Program: Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality eliminating, the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project cost in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. In fiscal year 2014, excise tax receipts were \$5,224,257. In fiscal year 2015, excise tax receipts were \$5,550,798. In fiscal year 2016, excise tax receipts were \$5,759,188.

Water Rates and Services: The Town's Water Department provides water services to most residential, industrial and commercial users within the Town, charging them on the basis of metered consumption. Operations of the Water Department are self-supporting. In fiscal year 2014, water operating revenues totaled \$3,780,734 and expenditures totaled \$3,625,571. In fiscal year 2015, water operating revenues totaled \$3,733,040 and expenditures totaled \$4,323,433. In fiscal year 2016, water operating revenues totaled \$3,880,029 and expenditures totaled \$2,551,067.

Sewer Rates and Services: The Town's Sewer Department provides services to most residential, industrial and commercial users within the Town, charging them on the basis of metered water consumption. In fiscal year 2014, sewer operating revenues totaled \$7,407,808 and expenditures totaled \$5,462,027 including the Town's share of debt service on the Westborough Treatment Facility totaling \$4,330,672. In fiscal year 2015 sewer operating revenues totaled \$7,478,504 and expenditures totaled \$5,829,721 including the Town's share of debt service on the Westborough Treatment Facility. In fiscal year 2016 sewer operating revenues totaled \$7,600,496 and expenditures totaled \$5,694,691 including the Town's share of debt service on the Westborough Treatment Facility. See "INDEBTEDNESS – Contractual Obligations below."

Enterprise Funds: The Town's municipal electric light and cable television department is a substantial enterprise that provides significant contributions to the general fund. The department is accounted for as an enterprise fund on a December 31 calendar year and is separate from the general funds of the Town. In fiscal 2014, electric light and cable contributed \$1,511,080 to the general fund to offset the tax rate and for its share of debt service applicable to the enterprise fund. In fiscal 2015, electric light and cable contributed \$1,643,809 to the general fund to offset the tax rate and for its share of debt service applicable to the enterprise fund. In fiscal 2016, electric light and cable contributed \$1,629,709 to the general fund to offset the tax rate and for its share of debt service applicable to the enterprise fund.

Local Options Meals Tax and Hotel/Motel Tax: On November 3, 2009, the Town voted to impose a 0.75% local option meals tax, and increased its hotel/motel tax rate from 4% to 6%. Together, these local options meals and hotel/motel taxes generated \$463,445 in revenue during fiscal 2014, \$508,876 in revenue during fiscal 2015, and \$437,799 in revenue during fiscal 2016.

Annual Audits

The Town's accounts were most recently independently audited for the fiscal year ended June 30, 2016 by Thomas J. Scanlon, CPA and Associates, of South Deerfield, Massachusetts and are attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Annual Report or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets as of June 30, 2016, June 30, 2015, and June 30, 2014 and a Comparative Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for fiscal years 2012 through 2016. Said financial statements were extracted from the Town's annual audits and then combined for purposes of this presentation.

TOWN OF SHREWSBURY, MASSACHUSETTS (1)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Library Building Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 13,783,739	\$ 207,773	\$ 2,663,321	\$ 16,654,833
Investments	14,075,813	6,780,164	8,687,432	29,543,409
Receivables, net of allowance for uncollectibles:				
Property Taxes	952,114	-	-	952,114
Tax Liens	523,645	-	-	523,645
Excise Taxes	638,865	-	-	638,865
User Charges	524,607	-	-	524,607
Departmental	7,263	-	61,789	69,052
Special Assessments	88,754	-	55,263	144,017
Due from Other Governments	15,633,247	-	2,664,353	18,297,600
Total Assets	\$ 46,228,047	\$ 6,987,937	\$ 14,132,158	\$ 67,348,142
Liabilities:				
Warrants Payable	\$ 1,983,849	\$ -	\$ 9,304	\$ 1,993,153
Accrued Payroll	4,904,646	-	225,485	5,130,131
Payroll Withholdings	831,064	-	-	831,064
Tax Refund Payable	87,000	-	-	87,000
Other	445,789	-	-	445,789
Bond Anticipation Notes Payable	-	18,000,000	450,000	18,450,000
Total Liabilities	8,252,348	18,000,000	684,789	26,937,137
Deferred Inflows of Resources:				
Unavailable Revenue	18,028,055	-	2,219,808	20,247,863
Fund Balance:				
Restricted	1,128,512	-	10,991,212	12,119,724
Committed	-	-	372,317	372,317
Assigned	10,796,392	-	-	10,796,392
Unassigned	8,022,740	(11,012,063)	(135,968)	(3,125,291)
Total Fund Balance	19,947,644	(11,012,063)	11,227,561	20,163,142
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 46,228,047	\$ 6,987,937	\$ 14,132,158	\$ 67,348,142

(1) Extracted from the Town's audited financial statements.

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015 (1)**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 10,547,254	\$ 1,049,593	\$ 11,596,847
Investments	12,310,480	14,604,290	26,914,770
Receivables, net of allowance for uncollectibles:			
Property Taxes	940,634	-	940,634
Tax Liens	411,353	-	411,353
Excise Taxes	295,943	-	295,943
User Charges	492,003	-	492,003
Departmental	6,894	58,858	65,752
Special Assessments	112,328	64,949	177,277
Due from Other Governments	18,423,641	2,299,287	20,722,928
Total Assets	\$ 43,540,530	\$ 18,076,977	\$ 61,617,507
Liabilities:			
Warrants Payable	\$ 2,151,266	\$ 623,203	\$ 2,774,469
Accrued Payroll	4,157,859	232,240	4,390,099
Retainage Payable	-	175,648	175,648
Payroll Withholdings	721,983	-	721,983
Other	409,116	-	409,116
Bond Anticipation Notes Payable	-	3,000,000	3,000,000
Total Liabilities	7,440,224	4,031,091	11,471,315
Deferred Inflows of Resources:			
Unavailable Revenue	20,286,009	2,240,152	22,526,161
Fund Balance:			
Restricted	965,923	11,016,702	11,982,625
Committed	-	1,323,482	1,323,482
Assigned	8,119,185	-	8,119,185
Unassigned	6,729,189	(534,450)	6,194,739
Total Fund Balance	15,814,297	11,805,734	27,620,031
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 43,540,530	\$ 18,076,977	\$ 61,617,507

(1) Extracted from the Town's audited financial statements.

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014 (1)**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 7,853,260	\$ 3,075,039	\$ 10,928,299
Investments	15,474,479	11,315,393	26,789,872
Receivables, net of allowance for uncollectibles:			
Property Taxes	594,059	-	594,059
Tax Liens	691,320	-	691,320
Excise Taxes	359,776	-	359,776
User Charges	458,911	-	458,911
Special Assessments	123,322	72,166	195,488
Due from Other Governments	20,988,811	1,786,106	22,774,917
Total Assets	<u><u>\$ 46,543,938</u></u>	<u><u>\$ 16,248,704</u></u>	<u><u>\$ 62,792,642</u></u>
Liabilities:			
Warrants Payable	\$ 2,114,812	\$ 120,922	\$ 2,235,734
Accrued Payroll	4,171,164	315,555	4,486,719
Payroll Withholdings	777,888	-	777,888
Tax Refund Payable	73,700	-	73,700
Other	463,257	-	463,257
Total Liabilities	<u><u>7,600,821</u></u>	<u><u>436,477</u></u>	<u><u>\$ 8,037,298</u></u>
Deferred Inflows of Resources:			
Unavailable Revenue	22,923,899	1,692,526	\$ 24,616,425
Fund Balance:			
Restricted	1,076,989	11,902,694	12,979,683
Committed	-	2,217,007	2,217,007
Assigned	7,763,972	-	7,763,972
Unassigned	7,178,257	-	7,178,257
Total Fund Balance	<u><u>16,019,218</u></u>	<u><u>14,119,701</u></u>	<u><u>30,138,919</u></u>
Total Liabilities, Deferred Inflows of Resources and	<u><u>\$ 46,543,938</u></u>	<u><u>\$ 16,248,704</u></u>	<u><u>\$ 62,792,642</u></u>

(1) Extracted from the Town's audited financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS (1)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Library Building Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 67,323,127	\$ -	\$ -	\$ 67,323,127
Intergovernmental	26,288,288	1,591,998	7,652,417	35,532,703
Excise and Other Taxes	6,343,705	-	-	6,343,705
Charges for Service	5,419,865	-	7,565,164	12,985,029
Licenses, Permits, and Fees	1,909,056	-	-	1,909,056
Interest on Taxes	314,827	-	-	314,827
Investment Income	653,713	(964)	175,933	828,682
Intergovernmental - "On-behalf" Payments	9,944,528	-	-	9,944,528
Gifts and Donations	-	-	429,168	429,168
Other	-	-	123,542	123,542
Total Revenues	118,197,109	1,591,034	15,946,224	135,734,367
Expenditures:				
Current:				
General Government	6,576,210	-	236,273	6,812,483
Public Safety	8,194,628	-	624,167	8,818,795
Public Works (including Water)	5,012,210	-	1,009,421	6,021,631
Education	58,300,954	-	12,923,773	71,224,727
Health and Human Services	670,986	-	104,766	775,752
Culture and Recreation	1,619,950	12,150,033	574,796	14,344,779
Employee Benefits and Insurance	25,757,841	-	-	25,757,841
State Assessments	1,428,302	-	-	1,428,302
Debt Service:				
Principal	6,335,099	-	-	6,335,099
Interest	2,132,908	-	-	2,132,908
Total Expenditures	116,029,088	12,150,033	15,473,196	143,652,317
Excess of Revenues Over (Under) Expenditures	2,168,021	(10,558,999)	473,028	(7,917,950)
Other Financing Sources (Uses):				
Operating Transfers In	2,738,022	-	280	2,738,302
Operating Transfers Out	(1,043,317)	(280)	(1,504,265)	(2,547,862)
Premium on Bonds and Notes	270,621	-	-	270,621
Total Other Financing Sources (Uses)	1,965,326	(280)	(1,503,985)	461,061
Net Change in Fund Balances	4,133,347	(10,559,279)	(1,030,957)	(7,456,889)
Fund Balances, Beginning of Year	15,814,297	(452,784)	12,258,518	27,620,031
Fund Balances, End of Year	\$ 19,947,644	\$ (11,012,063)	\$ 11,227,561	\$ 20,163,142

(1) Extracted from the Town's audited financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015(1)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 65,186,839	\$ -	\$ 65,186,839
Intergovernmental	25,641,444	10,138,461	35,779,905
Excise and Other Taxes	6,094,283	-	6,094,283
Charges for Service	5,629,854	6,991,554	12,621,408
Licenses, Permits, and Fees	1,656,634	-	1,656,634
Interest on Taxes	321,395	-	321,395
Investment Income	373,577	44,001	417,578
Intergovernmental - "On-behalf" Payments	5,995,367	-	5,995,367
Gifts and Donations	-	360,674	360,674
Other	-	352,969	352,969
Total Revenues	110,899,393	17,887,659	128,787,052
Expenditures:			
Current:			
General Government	6,688,511	335,201	7,023,712
Public Safety	7,885,403	474,272	8,359,675
Public Works (including Water)	7,607,027	1,132,280	8,739,307
Education	57,284,487	11,955,441	69,239,928
Health and Human Services	645,027	84,549	729,576
Culture and Recreation	1,574,143	5,238,040	6,812,183
Employee Benefits and Insurance	20,268,370	-	20,268,370
State Assessments	1,786,873	-	1,786,873
Debt Service:			
Principal	6,405,099	-	6,405,099
Interest	2,326,698	-	2,326,698
Total Expenditures	112,471,638	19,219,783	131,691,421
Excess of Revenues Over (Under) Expenditures	(1,572,245)	(1,332,124)	(2,904,369)
Other Financing Sources (Uses):			
Operating Transfers In	2,833,544	610,000	3,443,544
Operating Transfers Out	(1,466,220)	(1,591,843)	(3,058,063)
Total Other Financing Sources (Uses)	1,367,324	(981,843)	385,481
Net Change in Fund Balances	(204,921)	(2,313,967)	(2,518,888)
Fund Balances, Beginning of Year	16,019,218	14,119,701	30,138,919
Fund Balances, End of Year	\$ 15,814,297	\$ 11,805,734	\$ 27,620,031

(1) Extracted from the Town's audited financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BLANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (1)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 57,964,948	\$ -	\$ 57,964,948
Intergovernmental	25,855,536	8,361,000	34,216,536
Excise and Other Taxes	5,721,711	-	5,721,711
Charges for Service	5,588,036	6,956,354	12,544,390
Licenses, Permits, and Fees	1,954,714	-	1,954,714
Interest on Taxes	299,232	-	299,232
Investment Income	693,581	152,401	845,982
Intergovernmental - "On-behalf" Payments	8,890,963	-	8,890,963
Gifts and Donations	-	398,664	398,664
Other	-	57,517	57,517
Total Revenues	\$ 106,968,721	\$ 15,925,936	\$ 122,894,657
Expenditures			
Current:			
General Government	6,389,136	261,079	6,650,215
Public Safety	7,586,975	434,111	8,021,086
Public Works (including Water)	6,599,935	981,702	7,581,637
Education	52,573,960	11,369,808	63,943,768
Health and Human Services	627,632	106,550	734,182
Culture and Recreation	1,642,353	1,184,884	2,827,237
Employee Benefits and Insurance	22,664,163	-	22,664,163
State Assessments	1,667,795	-	1,667,795
Debt Service:			
Principal	6,381,101	-	6,381,101
Interest	2,564,713	-	2,564,713
Total Expenditures	108,697,763	14,338,134	123,035,897
Excess of Revenue Over (under) Expenditures	<u>(1,729,042)</u>	<u>1,587,802</u>	<u>(141,240)</u>
Other Financing Sources (Uses):			
Operating Transfers In	2,187,758	27,068	2,214,826
Operating Transfers out	(1,218,773)	(742,251)	(1,961,024)
Proceeds from Issuance of Bonds	-	635,000	635,000
Total Other Financing Sources (Uses)	968,985	(80,183)	888,802
Net Change in Fund Balances	(760,057)	1,507,619	747,562
Fund Balance, Beginning of Year	<u>16,779,275</u>	<u>12,612,082</u>	<u>29,391,357</u>
Fund Balance, End of Year	\$ 16,019,218	\$ 14,119,701	\$ 30,138,919

(1) Extracted from the audited financial statements of the Town.

TOWN OF SHREWSBURY, MASSACHUSETTS (1)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GENERAL FUND

	Fiscal 2012	Fiscal 2013
Revenues		
Taxes	\$ 52,653,811	\$ 55,432,871
Intergovernmental	25,155,465	25,569,832
Excise and Other Taxes	4,973,764	5,310,814
Charges for Service	4,758,460	4,907,235
License, Permits, Fees	1,775,126	1,674,939
Interest and Penalties on Delinquent Taxes	245,132	225,529
Investment Income:		
Interest	524,554	-
Net increase (decrease) in Fair Market Value of Investments(2)	-	(216,729)
Other	7,571,550	8,401,925
Total Revenues	97,657,862	101,306,416
Expenditures		
General Government	6,018,440	5,984,386
Public Safety	7,680,356	7,392,920
Health and Human Services	572,308	605,948
Public Works	3,976,273	5,873,101
Culture and Recreation	1,586,185	1,545,775
Education	47,068,148	49,736,604
Employee Benefits	19,957,812	20,965,448
State Assessments	1,732,451	1,703,400
Debt and Interest	7,800,440	8,859,129
Total Expenditures	96,392,413	102,666,711
Excess of Revenue Over (under) Expenditures	1,265,449	(1,360,295)
Other Financing Sources (Uses):		
Transfers from (to) Other Funds	909,940	2,212,538
Transfers Out	(1,785,584)	(931,399)
Sale of Tax Foreclosures	-	111,225
Premium on Bonds	901,314	-
Total Other Financing Sources	25,670	1,392,364
Excess of Revenues and Other Sources Over (Under Expenditures and Other Uses	1,291,119	32,069
Fund Balance, Beginning	15,456,087	16,747,206
Fund Balance, Ending	\$ 16,747,206	\$ 16,779,275

(1) Extracted from the audited financial statements of the Town.

(2) GASB requires that investments be shown at fair market value effective with Fiscal 98 fina
Investments were previously reported at the lower of cost value or market value.

Unassigned Fund Balance and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is undesignated fund balance less uncollected and overdue property taxes from prior years.

The following table sets forth the trend in unassigned fund balance as extracted from the Town's annual audits and free cash as certified by the Bureau of Accounts.

<u>Fiscal Year</u>	<u>Unassigned Fund Balance (June 30) (1)</u>	<u>Certified Free Cash (July 1)</u>
2016	\$ 8,022,740	\$ 6,098,965
2015	5,938,036	5,092,731
2014	7,178,257	5,580,257
2013	5,683,869	5,062,332
2012	7,466,480	5,591,137

(1) Unassigned General Fund Balance. Due to the changes in GASB fund balance reporting practices, Unassigned General Fund Balance includes Stabilization Fund balances beginning in fiscal year 2011.

Stabilization Fund

In Fiscal 2000 the Town instituted a Stabilization Fund which is funded by town meeting appropriations and can only be spent with Town Meeting approval. The Fund is intended to be used for one time capital expenditures. As of June 30, 2016, the balance in the Stabilization Fund was \$602,559.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has not established any such districts.

Investment of Town Funds

All funds of the Town, except for trust funds and funds of the Retirement System are invested in accordance with Section 55 of Chapter 44, of the Massachusetts General Laws (MGL). This statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits 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 unites 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.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT'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.

Trust funds, unless otherwise provided by the donor, are invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. Breakdown of such investments may be obtained from the Town Treasurer. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized on behalf of the Town by vote of two-thirds of all the town meeting members present or voting at an annual or special town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds are authorized by the selectmen. Borrowings for certain purposes require state administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred, or in anticipation of authorized state and federal aid generally may be incurred by the treasurer with the approval of the selectmen.

The general debt limit of the Town of Shrewsbury consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the state Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal, and economic development (subject to various debt limits), and electric, gas, community antenna television systems and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The general debt limit and the special debt limit for water bonds apply at the time debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each

year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawfully unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

The Town of Shrewsbury has not issued revenue anticipation notes in the last five fiscal years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Clean Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns having electric departments may issue revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Public Utilities. The Town's electric department does not have any revenue bonds or notes outstanding.

**DIRECT DEBT SUMMARY (1)
As of June 30, 2016,
Including Subsequent Issues**

General Obligation Bonds Outstanding		
School (2)	\$ 38,105,000	
General (3)	13,505,000	
Electric (4)	5,610,000	
Water (4)	720,000	
Land Acquisition (5)	6,340,000	
MCWT (6)	4,697,129	
Total Long Term Debt		\$ 68,977,129
Temporary Loans Outstanding		
Bond Anticipation Notes Outstanding (7)	7,555,000	
Total Short Term Debt		7,555,000
Total Direct Debt		\$ 76,532,129

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post employment benefits liability.
- (2) Does not reflect the reimbursement to be received from the State of Massachusetts for school building assistance. \$37,270,000 is exempt from the limits of Proposition 2 ½ and \$16,000,000 is outside the Town's debt limit.
- (3) Exempt from the limits of Proposition 2 ½.
- (4) Outside the Town's general debt limit.
- (5) \$755,000 is exempt from the limits of Proposition 2 ½.
- (6) Does not reflect the subsidy to be received from MCWT. \$100,815 is exempt from the limits of Proposition 2 ½ and \$3,754,935 is outside the Town's debt limit.
- (7) Payable July 28, 2017.

Debt Ratios

The following table sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town of Shrewsbury only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year End	General Obligation Bonds Outstanding	Equalized Valuation(1)	Per Capita Debt(2)	Debt as a % of Full Valuation
2016	\$59,556,980	\$4,974,698,800	\$1,673	1.2 %
2015	66,532,940	4,974,698,800	1,868	1.3
2014	69,323,221	5,071,030,400	1,947	1.4
2013	68,623,053	5,071,030,400	1,927	1.4
2012	68,218,914	5,064,277,500	1,916	1.3

- (1) 2010 equalized valuation used for fiscal year 2012. 2012 equalized valuation used for fiscal years 2013 and 2014. 2014 equalized valuation used for fiscal years 2015 and 2016.
(2) Based on 2010 U.S. Census population of 35,608.

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the outstanding debt of the Town of Shrewsbury as of June 30, 2016, including subsequent issues.

GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE As of June 30, 2016, Including Subsequent Issues

Fiscal Year	School	General	Electric	Water	Land Acquisition	MCWT	Total Outstanding
2017	\$4,625,000	\$380,000	\$405,000	\$195,000	\$630,000	\$241,440	\$6,476,440
2018	4,605,000	870,000	405,000	195,000	625,000	245,704	6,945,704
2019	4,580,000	870,000	300,000	70,000	515,000	250,063	6,585,063
2020	4,450,000	870,000	300,000	65,000	475,000	249,684	6,409,684
2021	4,350,000	865,000	300,000	65,000	370,000	257,451	6,207,451
2022	4,325,000	865,000	300,000	65,000	370,000	228,891	6,153,891
2023	1,420,000	865,000	300,000	65,000	305,000	233,640	3,188,640
2024	1,410,000	865,000	300,000	-	305,000	232,823	3,112,823
2025	1,340,000	860,000	300,000	-	305,000	237,779	3,042,779
2026	1,000,000	860,000	300,000	-	305,000	242,845	2,707,845
2027	1,000,000	485,000	300,000	-	305,000	243,292	2,333,292
2028	1,000,000	485,000	300,000	-	305,000	248,580	2,338,580
2029	1,000,000	485,000	300,000	-	305,000	253,982	2,343,982
2030	1,000,000	485,000	300,000	-	305,000	259,502	2,349,502
2031	1,000,000	485,000	300,000	-	305,000	265,142	2,355,142
2032	1,000,000	485,000	300,000	-	305,000	270,905	2,360,905
2033	-	485,000	300,000	-	305,000	276,792	1,366,792
2034	-	485,000	300,000	-	-	226,842	1,011,842
2035	-	485,000	-	-	-	231,772	716,772
2036	-	485,000	-	-	-	-	485,000
2037	-	485,000	-	-	-	-	485,000
	<u>\$38,105,000</u>	<u>\$13,505,000</u>	<u>\$5,610,000</u>	<u>\$720,000</u>	<u>\$6,340,000</u>	<u>\$4,697,129</u>	<u>\$68,977,129</u>

Debt Service Requirements

The following table sets forth the required principal and interest payments on the outstanding general obligation bonds of the Town of Shrewsbury.

**TOWN OF SHREWSBURY, MASSACHUSETTS
DEBT SERVICE REQUIREMENTS
As of June 30, 2016,
Including Subsequent Issues**

Fiscal Year	Currently Outstanding		MSBA Subsidy	MCWT Subsidy	Total Net Debt Service
	Principal	Interest			
2017	\$ 6,476,440	\$ 2,295,526	\$ (2,764,695)	\$ (11,011)	\$ 5,996,260
2018	6,945,704	2,205,706	(2,764,695)	(9,943)	6,376,772
2019	6,585,063	1,933,130	(2,764,695)	(8,823)	5,744,675
2020	6,409,684	1,676,326	(2,764,695)	(7,877)	5,313,437
2021	6,207,451	1,417,148	(2,764,695)	(8,100)	4,851,804
2022	6,153,891	1,160,730	-	(425)	7,314,195
2023	3,188,640	975,881	-	(142)	4,164,380
2024	3,112,823	869,508	-	-	3,982,330
2025	3,042,779	765,840	-	-	3,808,619
2026	2,707,845	666,540	-	-	3,374,385
2027	2,333,292	568,874	-	-	2,902,165
2028	2,338,580	485,105	-	-	2,823,685
2029	2,343,982	400,926	-	-	2,744,908
2030	2,349,502	321,184	-	-	2,670,686
2031	2,355,142	244,362	-	-	2,599,504
2032	2,360,905	165,417	-	-	2,526,323
2033	1,366,792	106,508	-	-	1,473,300
2034	1,011,842	72,097	-	-	1,083,939
2035	716,772	41,010	-	-	757,783
2036	485,000	21,825	-	-	506,825
2037	485,000	7,275	-	-	492,275
	<u>\$ 68,977,129</u>	<u>\$ 16,400,918</u>	<u>\$ (13,823,475)</u>	<u>\$ (46,321)</u>	<u>\$ 71,508,251</u>

Authorized Unissued Debt and Prospective Financing

Currently, the Town has approximately \$21,819,872 authorized unissued debt consisting of \$11,208,002 for library construction, \$6,062,718 for middle school construction, \$3,500,000 for school heating system replacement, \$52,737 for Spring Street School remodeling, and \$996,415 for sewer projects. The total amount authorized for the construction of the Middle School is to be reduced by the amount of grants to be received from the Massachusetts School Building Authority ("MSBA") which is expected to total \$17,173,851. To date, the Town has received \$20,169,545 from the MSBA.

Overlapping Debt

The Town is a member of the Worcester Regional Transit Authority which has no outstanding long-term debt. For the fiscal year ending June 30, 2017, the Town was assessed \$80,539 for its share of operating costs of the Authority.

In addition, as a contiguous Town of the MBTA, the Town was assessed \$158,953 for its share of those operating costs for fiscal 2017.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. See "Note 4-C" in the Financial Statements presented in Appendix A" attached hereto for contractual agreements pertaining to the Town's electric light department and its participation in MMWEC.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town of Shrewsbury has the following significant contractual obligations.

Vendor	Description	Expiration Date	Fiscal 2015 Annual Cost	Fiscal 2016 Annual Cost
Wheelabrator Millbury, Inc.	Disposal of Trash	(1)	\$ 500,000	\$ 422,000
Pellegrino Trucking	Refuse collection, recyclable and yard waste	6/30/2017	1,130,000	1,146,950
National Facilities	Municipal office cleaning	6/30/2018	52,400	59,450
National Facilities	School cleaning services (Oak MS)	6/30/2017	165,500	170,500
National Facilities	High School cleaning services	6/30/2017	230,844	237,769
National Facilities	School cleaning services (Sherwood MS)	6/30/2017	76,300	72,500
AA Transportation	school bus transportation of students	6/30/2017	2,165,772	1,882,592
Assabet Valley Collaborative	out of district appropriation	(2)	1,062,126	1,063,000
National Facilities	Library	6/30/2017	19,200	43,524
Dynamic Cleaning	School Cleaning Services	6/30/2017	73,820	97,420
Dynamic Cleaning	School Cleaning Services	6/30/2017	104,500	102,550

(1) Contract with Wheelabrator Millbury, Inc. was signed in 2007 and the term is up to 30 years.

(2) Town is a member of the Collaborative, therefore no expiration date.

The Town is obligated under the following contract with another municipal governmental unit.

An inter-municipal agreement dated September 11, 1979 for a period of twenty-five years with the Town of Westborough whereby the Town of Shrewsbury's wastewater is treated at the Town of Westborough's wastewater treatment facility. The Town has extended this contract to 1/1/2035. Debt service and operation and maintenance costs to be determined by the Sewer Treatment Board apportioned on the basis of each member's flow. Debt service is paid annually while the operation costs will be paid semi-annually. The Town's share of total costs for fiscal 2016 was \$4,431,540 and this share is expected to total \$4,326,700 in fiscal 2017.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town has a contributory retirement system that is partially funded by employee contributions including the Municipal Light Department. There are 249 retired persons and surviving beneficiaries currently receiving pensions under the contributory plan. The Town's method of funding for the contributory plan is a combination of required pay-as-you-go contributions and funding of future service costs based on an actuarial valuation prepared by PERAC or an actuary. The retirement system covers substantially all municipal employees except school teachers, whose pensions are paid by the Commonwealth.

The Town's annual required contributions for the current and last five fiscal years were as follows:

<u>Fiscal Year</u>	<u>Town Contribution</u>
2017	\$ 5,125,289
2016	4,922,794
2015	4,448,234
2014	4,270,034
2013	3,320,189

The unfunded actuarial liability applicable to employees on January 1, 2016 was \$19,214,164 assuming an actuarial value of assets of \$99,832,849 and a 7.5% investment rate of return. The total pension benefit obligation of the contributory retirement system as of January 1, 2016 was approximately \$119,047,013.

The foregoing data do not include the retirement system costs or liabilities of any larger entity, such as the county, of which the municipality is a constituent part and for which the municipality is assessed a share of expenses.

Current Funding Schedule

<u>Fiscal Year</u>		<u>Employee</u>	<u>Employer</u>	<u>Amortization</u>	<u>Employer</u>	<u>Employer</u>	
<u>Ending</u>	<u>Payroll*</u>	<u>Contribution</u>	<u>Normal Cost with Interest</u>	<u>Payments with Interest</u>	<u>Total Cost with Interest</u>	<u>Total Cost Total Cost</u>	<u>Funded Ratio %**</u>
						<u>% of Payroll</u>	
2017	\$23,692,881	\$2,047,500	\$598,369	\$5,529,409	\$6,127,778	25.9	83.8
2018	\$24,640,596	\$2,147,715	\$603,026	\$5,649,258	\$6,252,284	25.4	87.6
2019	\$25,626,220	\$2,252,670	\$607,099	\$5,652,483	\$6,259,582	24.4	91.7
2020	\$26,651,269	\$2,362,586	\$610,533	\$5,654,080	\$6,264,613	23.5	95.8
2021	\$27,717,320	\$2,477,691	\$613,270	\$0	\$613,270	2.2	100.0
2022	\$28,826,012	\$2,598,224	\$615,249	\$0	\$615,249	2.1	100.0
2023	\$29,979,053	\$2,724,435	\$616,406	\$0	\$616,406	2.1	100.0
2024	\$31,178,215	\$2,856,586	\$616,670	\$0	\$616,670	2.0	100.0
2025	\$32,425,344	\$2,994,950	\$615,970	\$0	\$615,970	1.9	100.0
2026	\$33,722,357	\$3,139,813	\$614,226	\$0	\$614,226	1.8	100.0
2027	\$35,071,252	\$3,291,473	\$611,358	\$0	\$611,358	1.7	100.0
2028	\$36,474,102	\$3,450,242	\$607,278	\$0	\$607,278	1.7	100.0
2029	\$37,933,066	\$3,616,446	\$601,892	\$0	\$601,892	1.6	100.0
2030	\$39,450,388	\$3,790,425	\$595,105	\$0	\$595,105	1.5	100.0
2031	\$41,028,404	\$3,972,537	\$586,811	\$0	\$586,811	1.4	100.0
2032	\$42,669,540	\$4,163,154	\$576,902	\$0	\$576,902	1.4	100.0
2033	\$44,376,322	\$4,362,663	\$565,261	\$0	\$565,261	1.3	100.0
2034	\$46,151,375	\$4,571,473	\$551,765	\$0	\$551,765	1.2	100.0
2035	\$47,997,430	\$4,790,006	\$536,286	\$0	\$536,286	1.1	100.0
2036	\$49,917,327	\$5,018,708	\$518,685	\$0	\$518,685	1.0	100.0
2037	\$51,914,020	\$5,258,043	\$498,819	\$0	\$498,819	1.0	100.0
2038	\$53,990,581	\$5,508,494	\$476,533	\$0	\$476,533	0.9	100.0
2039	\$56,150,204	\$5,770,568	\$451,666	\$0	\$451,666	0.8	100.0
2040	\$58,396,212	\$6,044,794	\$424,048	\$0	\$424,048	0.7	100.0
2041	\$60,732,061	\$6,331,726	\$393,497	\$0	\$393,497	0.6	100.0
2042	\$63,161,343	\$6,631,941	\$359,823	\$0	\$359,823	0.6	100.0
2043	\$65,687,797	\$6,897,219	\$374,216	\$0	\$374,216	0.6	100.0
2044	\$68,315,309	\$7,173,107	\$389,185	\$0	\$389,185	0.6	100.0
2045	\$71,047,921	\$7,460,032	\$404,752	\$0	\$404,752	0.6	100.0
2046	\$73,889,838	\$7,758,433	\$420,942	\$0	\$420,942	0.6	100.0
2047	\$76,845,431	\$8,068,770	\$437,780	\$0	\$437,780	0.6	100.0
2048	\$79,919,248	\$8,391,521	\$455,291	\$0	\$455,291	0.6	100.0

* Calendar basis

** Beginning of Fiscal Year

Source: January 1, 2016 Actuarial Valuation Report of the Shrewsbury Contributory Retirement System, PERAC.

Other Post-Employment Benefits (OPEB)

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2016	\$ 2,236,706
2015	2,285,135
2014	1,681,663
2013	1,609,247
2012	1,528,948

The Governmental Accounting Standards Board ("GASB") has promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. On January 10, 2009, Massachusetts enacted Chapter 479 of the Acts of 2008 which permits cities and towns to establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town has performed an actuarial valuation of its non-pension, post-employment benefits. As of June 30, 2016, the Town's unfunded actuarial accrued liability ("UAAL") was approximately \$75,775,918 (assuming a 4% pay-as-you-go discount rate) and \$42,682,505 (assuming an 7.5% full prefunding discount rate) with annual required contributions ("ARC") of \$6,422,329 and \$3,814,756, respectively. The Town established an OPEB Trust account which had a balance of approximately \$2,828,262 as of June 30, 2016.

EMPLOYEE RELATIONS

The Town presently employs approximately 1,678 full-time and part-time workers, 1,128 of whom are employed by the school department, 47 by the public works department, 40 by the fire department, 62 by the police department, 81 by the Electric/CATV department and the balance of persons by various departments of the Town. Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

Title of Union Contract	Department	No. of Union Members	Contract Expiration Date
International Brotherhood of Police Officers, Local 426	Police	35	6/30/2016
Shrewsbury Police Superior Officers Association	Police Superior Officers	10	6/30/2016
Teamsters Local 170, Dispatchers	Police	8	6/30/2016
Firefighter's Association NAGE, Local R1-223	Fire	37	6/30/2019
American Federation of State, County and Municipal Employees AFL-CIO, State Council 93, Local 1708	Public Works	20	6/30/2017
Shrewsbury Employees International Union Local 188	Public Buildings	16	6/30/2017
International Brotherhood of Electrical Workers	Electric/Cable	25	6/30/2019
Shrewsbury Education Association	Teachers	496	6/30/2019
Shrewsbury Employees International Union - Local 888	School Cafeteria	37	6/30/2019

LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth where the Town of Shrewsbury is a defendant. In the opinion of the Town Manager, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

TOWN OF SHREWSBURY, MASSACHUSETTS
/s/ Ms. Carolyn J. Marcotte, Treasurer

March 27, 2017