

TOWN OF SHREWSBURY, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2016

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the year ended June 30, 2016 (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are as of and for the year ended December 31, 2015), and the related notes to the financial statements which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements as listed in the table of contents. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are both major funds and 45 percent and 23 percent of the assets, 39 percent and 27 percent of the net position, and 56 percent and 31 percent of the operating revenues of the business-type activities.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represent 45 percent and 23 percent of the assets, 39 percent and 27 percent of the net position, and 56 percent and 31 percent of the operating revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2016, (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are as of and for the year ended December 31, 2015), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of the Town of Shrewsbury Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shrewsbury, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

January 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Shrewsbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$190,102,641 (net position) for the fiscal year reported. This compares to the previous year when the Town's total net position was \$182,458,624 for an increase of \$7,644,017 (4%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$20,163,142, a decrease of \$7,456,889 (27%) in comparison with prior year.
- The General Fund's total fund balance increased \$4,133,347 (26%) to \$19,947,644. The ending General fund balance is 16% of revenues, transfers in and premium on bonds and notes, and 17% of expenditures and transfers out.
- Total liabilities of the Town increased to \$153,756,840 during the fiscal year. This change was mainly the result of an increase in net debt obligation liabilities of \$8,421,813 and in the other post-employment benefit (OPEB) liability of \$4,555,389 and decrease in warrants payable of \$1,418,310.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$6,098,965. The key factors that attributed to the free cash amount for fiscal year 2016 were unexpended/unencumbered appropriations of \$2,384,400, excess over budget state and local receipts of \$1,674,900, premium on bonds of \$270,600 and prior year unappropriated free cash of \$1,565,100.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities include general government, public safety, public works (including water), education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, solid waste, electric light and community cablevision activities.

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

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

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

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

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

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

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

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

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 54,556,178	\$ 45,959,376	\$ 8,596,802
Noncurrent assets (excluding capital)	12,791,964	15,658,131	(2,866,167)
Capital assets	160,162,387	153,687,919	6,474,468
Total assets	227,510,529	215,305,426	12,205,103
Total Deferred Outflows of Resources	6,124,522	257,692	5,866,830
Liabilities:			
Current liabilities (excluding debt)	9,979,445	9,730,063	249,382
Current debt	24,295,099	9,335,099	14,960,000
Noncurrent liabilities (excluding debt)	57,236,940	51,621,031	5,615,909
Noncurrent debt	43,180,716	49,025,815	(5,845,099)
Total liabilities	134,692,200	119,712,008	14,980,192
Total Deferred Inflows of Resources	3,312,106	1,236,430	2,075,676
Net Position:			
Net investment in capital assets	107,987,368	113,312,269	(5,324,901)
Restricted	21,584,209	16,654,079	4,930,130
Unrestricted	(33,940,832)	(35,351,668)	1,410,836
Total net position	\$ 95,630,745	\$ 94,614,680	\$ 1,016,065
	Business-Type Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 42,166,256	\$ 37,142,277	\$ 5,023,979
Noncurrent assets (excluding capital assets)	15,171,561	17,107,499	(1,935,938)
Capital assets	61,947,961	61,466,689	481,272
Total assets	119,285,778	115,716,465	3,569,313
Total Deferred Outflows of Resources	907,012	957,014	(50,002)
Liabilities:			
Current liabilities (excluding debt)	3,564,614	4,201,063	(636,449)
Current debt	645,333	643,263	2,070
Noncurrent liabilities (excluding debt)	4,668,861	5,507,277	(838,416)
Noncurrent debt	10,185,832	10,880,990	(695,158)
Total liabilities	19,064,640	21,232,593	(2,167,953)
Total Deferred Inflows of Resources	6,656,254	7,596,942	(940,688)
Net Position:			
Net investment in capital assets	51,441,647	50,503,863	937,784
Restricted	3,362,362	3,359,001	3,361
Unrestricted	39,667,887	33,981,080	5,686,807
Total net position	\$ 94,471,896	\$ 87,843,944	\$ 6,627,952

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 14,606,439	\$ 14,058,347	\$ 548,092
Operating grants and contributions	38,342,112	32,263,992	6,078,120
Capital grants and contributions	2,580,958	4,802,186	(2,221,228)
General Revenues:			
Property taxes	67,473,899	65,221,747	2,252,152
Motor vehicle excise and other taxes	6,139,479	5,521,574	617,905
Hotel room occupancy and meals taxes	547,148	508,876	38,272
Penalties and interest on taxes	314,827	321,395	(6,568)
Nonrestricted grants	3,051,498	2,704,370	347,128
Unrestricted investment income	653,713	373,577	280,136
Miscellaneous	308	14,576	(14,268)
Total revenues	133,710,381	125,790,640	7,919,741
Expenses:			
General government	6,866,488	7,056,897	(190,409)
Public safety	9,177,106	8,708,945	468,161
Public works (including water)	6,352,129	7,405,624	(1,053,495)
Education	75,970,425	73,440,600	2,529,825
Health and human services	857,288	808,712	48,576
Culture and recreation	2,305,197	2,097,311	207,886
Employee benefits and insurance	27,637,120	20,832,453	6,804,667
State assessments	1,428,302	1,786,873	(358,571)
Interest	2,290,701	2,204,194	86,507
Total expenses	132,884,756	124,341,609	8,543,147
Transfers	190,440	385,481	(195,041)
Change in net position	1,016,065	1,834,512	(818,447)
Net position - beginning of year	94,614,680	92,780,168	1,834,512
Net position - end of year	\$ 95,630,745	\$ 94,614,680	\$ 1,016,065

	Business-Type Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 61,797,820	\$ 57,771,408	\$ 4,026,412
Operating grants and contributions	59,722	43,748	15,974
Total revenues	61,857,542	57,815,156	4,042,386
Expenses:			
Sewer	5,936,357	5,158,295	778,062
Solid waste	1,728,812	1,706,167	22,645
Electric light	32,119,022	32,469,732	(350,710)
Community Cablevision	15,251,598	15,480,107	(228,509)
Total expenses	55,035,789	54,814,301	221,488
Transfers	(193,801)	(383,199)	189,398
Change in net position	6,627,952	2,617,656	4,010,296
Net position - beginning of year	87,843,944	85,226,288	2,617,656
Net position - end of year	\$ 94,471,896	\$ 87,843,944	\$ 6,627,952

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$190,102,641 at the close of fiscal year 2016.

Net position of \$159,429,015 (84%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$24,946,571 (13%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$5,727,055 (3%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position for the government as a whole, while the governmental activities reports positive balances in two of the three categories of net position. The unrestricted governmental activities resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

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

The governmental activities net position increased by \$1,016,065 (1%) during the current fiscal during the current fiscal year, which reflects the general fund's results of operation. The key elements of the increase in net position for fiscal year 2016 was attributed to the acquisition of \$13,828,184 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$7,353,716, and as a result of the net change in debt of \$6,404,218 and decreases as a result of the change

in fund balances of \$7,456,889, change in net pension liability of \$1,018,685, and in recognizing this year's OPEB obligation of \$4,582,629.

There was an increase of \$6,627,952 (8%) in net position reported in the business-type activities. All funds showed increases as follows; the sewer fund of \$1,615,792, the solid waste fund of \$14,162, the electric light fund of \$2,072,313 and the cable operations fund of \$2,925,685.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$20,163,142 a decrease of \$7,456,889 (27%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Restricted fund balance – \$12,119,724.
- Committed fund balance – \$372,317.
- Assigned fund balance – \$10,796,392.
- Unassigned fund balance – (\$3,125,291).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$19,947,644 increasing \$4,133,347 (26%) from the prior year. Of the \$19,947,644, the unassigned amount is \$8,022,740 (40%), the assigned amount is \$10,796,392 (54%) and the restricted amount is \$1,128,512 (6%). General fund revenues were \$7,297,716 (7%) more than the prior fiscal year while expenditures also increased by \$3,557,450 (3%). Other activity in the General Fund, are net transfers to other funds of \$1,694,705 and receipt of a premium on bonds and notes of \$270,621.

The main components of the increase in general fund revenues from the prior year are related to an increase in property taxes in the amount of \$2,136,288 (3%), in intergovernmental receipts of \$646,844 (3%) and in the intergovernmental "on-behalf" receipts of \$3,949,161 (66%).

The major changes in general fund expenditures from the prior fiscal year are as follows:

- Decrease in Public works (including water) expenditures of \$2,594,817 (34%).
- Increase in Education expenditures of \$1,016,467 (2%).
- Increase in Employee benefits and insurance expenditures of \$5,489,471 (27%).

The *Library Building Project Fund* is used to account for financial resources for the building of a new library. The fund has a deficit balance of 11,012,063 showing a decrease of \$10,559,279 for the fiscal year. The Town has a temporary bond anticipation note outstanding of \$18,000,000. The activity of the fund consisted of revenues of \$1,591,034, expenditures of \$12,150,033 and net transfers out to nonmajor governmental funds of \$280.

Major Proprietary Funds

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

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$1,615,792 (5%) in total operations. This change is mainly attributed to operating revenues exceeding current operating costs by \$1,718,137, intergovernmental revenues of \$9,078, interest expense of \$126,302 and net transfers in from the governmental funds of \$14,879. Operating revenues increased by \$141,243 (2%) while operating expenses also increased by \$720,940 (14%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the Town's solid waste operations. The solid waste fund shows an increase of \$14,162 (8%) attributed to operational expenditures exceeding revenues by \$818,088 and transfers in from the general fund for \$832,250. Operating revenues increased by \$41,543 (5%) and operating expenses also increased by \$22,645 (1%) from the prior year.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2015 shows an increase of \$2,072,313, attributed to operating revenues exceeding operating expenses by \$2,392,124, investment income of \$12,831, a gain on the sale/disposal of equipment of \$21,151, other revenue of \$16,662, interest expense of \$129,525 and transfers to the general fund of \$240,930. The Electric Light is audited by other auditors and has issued a separate audit report which has further details.

The *Cable Operations Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2015 shows an increase of \$2,925,685, attributed to operating revenue exceeding operating expenses of \$3,747,651, a loss on the sale/disposal of equipment of \$21,966 and transfers to the general fund of \$800,000. The Cable Operations is audited by other auditors and has issued a separate audit report which has further details.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$116,010,447. This is an increase of \$2,116,894 (2%) over the previous year's budget.

There was an increase between the original budget and the final amended budget. The changes are attributed to votes at the various special town meetings and the annual town meeting in April 2016.

General fund expenditures were less than budgeted by \$9,925,887. Of the \$9,925,887 in under budget expenditures, \$7,541,484 has been carried over to fiscal year 2017.

The variance with the final budget was a positive \$4,492,982 consisting of a revenue surplus of \$2,108,579 and an appropriation surplus of \$2,384,403.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016, (December 31, 2015 for the electric light fund and the cable operations fund) amounts to \$160,162,387 and \$61,947,961, respectively.

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

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

- Fire Department equipment purchase for \$25,681.
- Police vehicle purchases for \$131,536.
- Department of public works vehicles and equipment for \$94,910.
- Road and Water infrastructure improvements for \$1,088,986.
- Schools' improvements for \$116,918.
- High School infrastructure improvements for \$160,280.
- Rowing Center roof for \$76,150.
- Library building improvements for \$12,150,032.

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

In the Sewer Fund:

- Sewer infrastructure improvements for \$645,493.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2016, totaled \$49,025,815. The primary debt is school debt of \$37,765,000, land acquisition debt of \$6,680,000, fire facility renovations of \$3,760,000, water improvements for \$720,000 and septic Title V debt of \$100,815.

The business-type funds have \$10,831,165 consisting of sewer activity debt of \$4,921,165 and electric light activity debt of \$5,910,000 (at December 31, 2015).

The Town also has bond anticipation notes outstanding as of June 30, 2016 in the amount of \$18,450,000 for governmental activities for the library building project and school renovations.

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

Next Year's Annual Town Meeting

The Town of Shrewsbury operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2016 do not reflect the fiscal year 2017 Town Meeting action except for the free cash and continuing appropriations amounts. The Annual Town Meeting on May 16, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From the tax levy		\$	106,751,934
From community cablevision fund			800,000
From electric light fund			816,044
From sewer fund			7,132,108
From solid waste fund			915,500
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash	\$	3,254,907	
Continuing appropriations		242,971	3,497,878
Non-major Governmental Funds:			
Cemetery sale of lots		18,000	
Infiltration and inflow fund		427,000	
Interest on school borrowing fund		8,900	
Septic loan repayment fund		15,100	
Water conservation gift fund		150,000	
Water systems improvements		50,000	669,000
			<u>\$ 120,582,464</u>

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 16,654,833	\$ 17,607,337	\$ 34,262,170
Investments	29,543,409	16,269,184	45,812,593
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	4,715,523	5,240,130
Departmental	69,052	-	69,052
Other	-	617,183	617,183
Special Assessments	12,798	72,616	85,414
Due from Other Governments	5,636,855	324,851	5,961,706
Loan Receivable	-	51,306	51,306
Materials and Supplies	-	425,836	425,836
Purchased Power Working Capital	-	1,445,754	1,445,754
Prepaid Expenses	-	636,666	636,666
Total current assets	<u>54,556,178</u>	<u>42,166,256</u>	<u>96,722,434</u>
NONCURRENT:			
Restricted Cash and Investments	-	14,070,736	14,070,736
Receivables, net of allowance for uncollectibles:			
Special Assessments	131,219	490,213	621,432
Due from Other Governments	12,660,745	-	12,660,745
Loan Receivable	-	102,533	102,533
Other	-	508,079	508,079
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	33,244,469	144,810	33,389,279
Depreciable	126,917,918	61,803,151	188,721,069
Total noncurrent assets	<u>172,954,351</u>	<u>77,119,522</u>	<u>250,073,873</u>
Total Assets	<u>227,510,529</u>	<u>119,285,778</u>	<u>346,796,307</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	236,923	-	236,923
Deferred Outflows Related to Pensions	5,887,599	907,012	6,794,611
Total Deferred Outflows of Resources	<u>\$ 6,124,522</u>	<u>\$ 907,012</u>	<u>\$ 7,031,534</u>

(Continued)

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT:			
Warrants Payable	\$ 1,993,153	\$ 3,453,698	\$ 5,446,851
Accrued Payroll	5,130,131	10,116	5,140,247
Payroll Withholdings	831,064	-	831,064
Tax Refund Payable	87,000	-	87,000
Accrued Interest	1,101,895	45,062	1,146,957
Other	445,789	51,948	497,737
Compensated Absences	390,413	3,790	394,203
Bond Anticipation Notes Payable	18,450,000	-	18,450,000
Bonds Payable	5,845,099	645,333	6,490,432
Total current liabilities	34,274,544	4,209,947	38,484,491
NONCURRENT:			
Other	-	289,275	289,275
Compensated Absences	845,890	11,369	857,259
OPEB Obligation Payable	38,060,098	475,801	38,535,899
Net Pension Liability	18,330,952	3,892,416	22,223,368
Bonds Payable	43,180,716	10,185,832	53,366,548
Total noncurrent liabilities	100,417,656	14,854,693	115,272,349
Total Liabilities	134,692,200	19,064,640	153,756,840
DEFERRED INFLOWS OF RESOURCES			
Rate Stabilization Reserve	-	4,081,981	4,081,981
All Requirements Select Energy Termination Trust	-	2,368,762	2,368,762
Contribution in Aid of Construction	-	51,870	51,870
Deferred Gain on Refunding	534,783	-	534,783
Deferred Inflows Related to Pensions	2,777,323	153,641	2,930,964
Total Deferred Inflows of Resources	3,312,106	6,656,254	9,968,360
NET POSITION			
Net Investment in Capital Assets	107,987,368	51,441,647	159,429,015
Restricted for:			
Capital Projects	7,622,703	-	7,622,703
Federal & State Grants	3,700,457	-	3,700,457
Permanent Funds	2,163,967	-	2,163,967
Other Purposes	8,097,082	-	8,097,082
Depreciation	-	3,362,362	3,362,362
Unrestricted	(33,940,832)	39,667,887	5,727,055
Total Net Position	\$ 95,630,745	\$ 94,471,896	\$ 190,102,641

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 6,866,488	\$ 728,264	\$ 188,179	\$ -	\$ (5,950,045)	\$ -	\$ (5,950,045)
Public Safety	9,177,106	1,492,464	235,217	-	(7,449,425)	-	(7,449,425)
Public Works (including Water)	6,352,129	4,189,104	333,736	988,960	(840,329)	-	(840,329)
Education	75,970,425	6,011,796	26,259,818	-	(43,698,811)	-	(43,698,811)
Health and Human Services	857,288	1,750,693	316,283	-	1,209,688	-	1,209,688
Culture and Recreation	2,305,197	434,118	452,463	1,591,998	173,382	-	173,382
Employee Benefits and Insurance	27,637,120	-	9,941,583	-	(17,695,537)	-	(17,695,537)
State Assessments	1,428,302	-	-	-	(1,428,302)	-	(1,428,302)
Interest	2,290,701	-	614,833	-	(1,675,868)	-	(1,675,868)
Total Governmental Activities	132,884,756	14,606,439	38,342,112	2,580,958	(77,355,247)	-	(77,355,247)
Business-Type Activities:							
Sewer	5,936,357	7,528,192	9,078	-	-	1,600,913	1,600,913
Solid Waste	1,728,812	910,724	-	-	-	(818,088)	(818,088)
Electric Light	32,119,022	34,381,621	50,644	-	-	2,313,243	2,313,243
Community Cablevision	15,251,598	18,977,283	-	-	-	3,725,685	3,725,685
Total Primary Government	\$ 187,920,545	\$ 76,404,259	\$ 38,401,834	\$ 2,580,958	(77,355,247)	6,821,753	(70,533,494)
General Revenues:							
Property Taxes					67,473,899	-	67,473,899
Motor vehicle and other taxes					6,139,479	-	6,139,479
Hotel Room Occupancy and Meal Taxes					547,148	-	547,148
Penalties & Interest on Taxes					314,827	-	314,827
Grants & Contributions not restricted to specific programs					3,051,498	-	3,051,498
Unrestricted Investment Income					653,713	-	653,713
Miscellaneous					308	-	308
Transfers, net					190,440	(193,801)	(3,361)
Total General Revenues and Transfers					78,371,312	(193,801)	78,177,511
Change in Net Position					1,016,065	6,627,952	7,644,017
Net Position:							
Beginning of year (as restated)					94,614,680	87,843,944	182,458,624
End of year					\$ 95,630,745	\$ 94,471,896	\$ 190,102,641

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2016

Total Governmental Fund Balances		\$ 20,163,142
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		160,162,387
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		20,247,863
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.		3,110,276
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (49,025,815)	
Deferred Charges on Debt Refunding	(297,860)	
Other Post Employment Benefits Payable	(38,060,098)	
Net Pension Liability	(18,330,952)	
Compensated Absences	<u>(1,236,303)</u>	(106,951,028)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(1,101,895)</u>
Net Position of Governmental Activities		<u><u>\$ 95,630,745</u></u>

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (7,456,889)

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

Capital Outlay Purchases	\$ 13,828,184	
Depreciation	<u>(7,353,716)</u>	6,474,468

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflow - unavailable revenue. (2,278,298)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds.

Neither transaction, however, has any effect on net position:

Repayment of Debt Principal	6,335,099	
Amortization of Net Gain/Loss on Refunding	<u>69,119</u>	6,404,218

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

Net Change in Compensated Absences	(21,243)	
Net Change in Other Post Employment Benefits	(4,582,629)	
Net Change in Net Pension Liability	(1,018,685)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	3,722,035	
Net Change in Accrued Interest on Long-Term Debt	<u>(226,912)</u>	<u>(2,127,434)</u>

Change in Net Position of Governmental Activities \$ 1,016,065

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

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 66,654,451	\$ 67,003,451	\$ 67,437,127	\$ -	\$ 433,676
Intergovernmental	-	25,727,547	25,727,547	26,288,288	-	560,741
Excise and Other Taxes	-	5,772,000	5,772,000	6,343,705	-	571,705
Charges for Service	-	5,300,000	5,300,000	5,419,865	-	119,865
Licenses, Permits, and Fees	-	1,564,000	1,564,000	1,909,056	-	345,056
Interest on Taxes	-	250,000	250,000	314,827	-	64,827
Interest on Investments	-	450,000	450,000	462,709	-	12,709
Total Revenues	-	105,717,998	106,066,998	108,175,577	-	2,108,579
Expenditures:						
Current:						
General Government	887,999	7,314,004	8,263,927	6,576,210	1,006,521	681,196
Public Safety	10,916	9,055,309	9,115,024	8,194,628	615,376	305,020
Public Works (including Water)	4,163,323	6,355,370	11,232,898	5,012,210	5,442,646	778,042
Education	85,725	58,455,519	58,541,244	58,300,954	240,290	-
Health and Human Services	8,343	878,807	904,035	670,986	76,519	156,530
Culture and Recreation	137,379	1,765,319	1,817,302	1,619,950	160,132	37,220
Employee Benefits and Insurance	150,000	15,704,492	16,060,775	15,816,258	-	244,517
State Assessments	-	1,610,178	1,610,178	1,428,302	-	181,876
Debt Service:						
Principal	-	6,335,099	6,335,099	6,335,099	-	-
Interest	-	2,129,965	2,129,965	2,129,963	-	2
Total Expenditures	5,443,685	109,604,062	116,010,447	106,084,560	7,541,484	2,384,403
Excess of Revenues Over (Under) Expenditures	(5,443,685)	(3,886,064)	(9,943,449)	2,091,017	(7,541,484)	4,492,982
Other Financing Sources (Uses):						
Operating Transfers In	-	2,047,613	2,738,023	2,738,022	-	(1)
Operating Transfers Out	-	(832,250)	(1,215,750)	(1,217,817)	-	(2,067)
Premium on Bonds and Notes	-	-	-	270,621	-	270,621
Total Other Financing Sources (Uses)	-	1,215,363	1,522,273	1,790,826	-	268,553
Net Change in Budgetary Fund Balance	(5,443,685)	(2,670,701)	(8,421,176)	\$ 3,881,843	\$ (7,541,484)	\$ 4,761,535
Other Budgetary Items:						
Free Cash and Other Reserves	-	2,675,500	2,982,290			
Prior Year Deficits	-	(4,799)	(4,799)			
Prior Year Encumbrances	5,443,685	-	5,443,685			
Total Other Budgetary Items	5,443,685	2,670,701	8,421,176			
NET BUDGET	\$ -	\$ -	\$ -			

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2016

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 108,175,577	\$ 106,084,560
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	34,594	-
Net Decrease in Revenue from recording Refund Taxes Payable	(87,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	9,944,528	-
Recognition of Expenditures - "on behalf payments"	-	9,944,528
Net Change in Fair Value of Investments	156,410	-
Net Decrease in Revenue from Recording 60-Day Receipts	(27,000)	-
Reported on a GAAP Basis	\$ 118,197,109	\$ 116,029,088

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2015)	Cable Operations Fund (as of December 31, 2015)	
ASSETS					
CURRENT:					
Cash and Cash Equivalents	\$ 10,444,344	\$ 156,067	\$ 2,025,780	\$ 4,981,146	\$ 17,607,337
Investments	9,736,882	-	1,888,561	4,643,741	16,269,184
User Charges, net of allowance	986,799	63,600	2,319,001	1,346,123	4,715,523
Other Receivables	-	-	583,596	33,587	617,183
Special Assessments	72,616	-	-	-	72,616
Due From Other Governments	324,851	-	-	-	324,851
Materials and Supplies	-	-	137,650	288,186	425,836
Loan Receivable	-	-	51,306	-	51,306
Purchased Power Working Capital	-	-	1,445,754	-	1,445,754
Prepaid Expenses	-	-	520,620	116,046	636,666
Total current assets	21,565,492	219,667	8,972,268	11,408,829	42,166,256
NONCURRENT:					
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,362,362	-	3,362,362
Rate Stabilization Reserve Fund	-	-	4,081,981	-	4,081,981
All Requirements Select Energy Termination Trust	-	-	2,368,762	-	2,368,762
Investment in Other Companies	-	-	20,821	-	20,821
Construction Fund	-	-	2,736,810	-	2,736,810
Power Cost Adjustment Fund	-	-	1,500,000	-	1,500,000
Special Assessments Receivable	490,213	-	-	-	490,213
Loan Receivable	-	-	102,533	-	102,533
Other	-	-	508,079	-	508,079
Capital Assets, net of accumulated depreciation:					
Nondepreciable	-	-	144,810	-	144,810
Depreciable	15,631,621	-	29,867,751	16,303,779	61,803,151
Total noncurrent assets	16,121,834	-	44,693,909	16,303,779	77,119,522
Total Assets	\$ 37,687,326	\$ 219,667	\$ 53,666,177	\$ 27,712,608	\$ 119,285,778
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	44,500	-	621,636	240,876	907,012

(Continued)

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2015)	Cable Operations Fund (as of December 31, 2015)	
LIABILITIES					
CURRENT:					
Accounts Payable	\$ 54,057	\$ 37,569	\$ 2,263,149	\$ 1,098,923	\$ 3,453,698
Accrued Payroll	10,116	-	-	-	10,116
Accrued Interest	45,062	-	-	-	45,062
Other	-	-	-	51,948	51,948
Compensated Absences	3,790	-	-	-	3,790
Bonds Payable	240,333	-	405,000	-	645,333
Total current liabilities	<u>353,358</u>	<u>37,569</u>	<u>2,668,149</u>	<u>1,150,871</u>	<u>4,209,947</u>
NONCURRENT:					
Other	-	-	142,089	147,186	289,275
Compensated Absences	11,369	-	-	-	11,369
OPEB Obligation Payable	142,373	-	-	333,428	475,801
Net Pension Liability	138,551	-	2,898,886	854,979	3,892,416
Bonds Payable	4,680,832	-	5,505,000	-	10,185,832
Total noncurrent liabilities	<u>4,973,125</u>	<u>-</u>	<u>8,545,975</u>	<u>1,335,593</u>	<u>14,854,693</u>
Total Liabilities	<u>5,326,483</u>	<u>37,569</u>	<u>11,214,124</u>	<u>2,486,464</u>	<u>19,064,640</u>
DEFERRED INFLOW OF RESOURCES					
Rate Stabilization Reserve	-	-	4,081,981	-	4,081,981
All Requirements Select Energy Termination Trust	-	-	2,368,762	-	2,368,762
Contribution in Aid of Construction	-	-	51,870	-	51,870
Deferred Inflows Related to Pensions	20,992	-	102,437	30,212	153,641
Total Deferred Inflows of Resources	<u>20,992</u>	<u>-</u>	<u>6,605,050</u>	<u>30,212</u>	<u>6,656,254</u>
NET POSITION					
Net Investment in Capital Assets	11,035,307	-	24,102,561	16,303,779	51,441,647
Restricted for Depreciation	-	-	3,362,362	-	3,362,362
Unrestricted	21,349,044	182,098	9,003,716	9,133,029	39,667,887
Total Net Position	<u>\$ 32,384,351</u>	<u>\$ 182,098</u>	<u>\$ 36,468,639</u>	<u>\$ 25,436,808</u>	<u>\$ 94,471,896</u>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2015)	Cable Operations Fund (as of December 31, 2015)	
Operating Revenues:					
Charges for Services	\$ 7,483,619	\$ 910,724	\$ 34,192,261	\$ 18,565,861	\$ 61,152,465
Other	44,573	-	189,360	411,422	645,355
Total Operating Revenues	7,528,192	910,724	34,381,621	18,977,283	61,797,820
Operating Expenses:					
Salaries & Wages	439,027	-	-	-	439,027
Operating Expenses	4,668,119	1,728,812	28,728,443	12,612,150	47,737,524
Maintenance Expenses	-	-	1,590,412	536,316	2,126,728
Depreciation	702,909	-	1,670,642	2,081,166	4,454,717
Total Operating Expenses	5,810,055	1,728,812	31,989,497	15,229,632	54,757,996
Operating Income (Loss)	1,718,137	(818,088)	2,392,124	3,747,651	7,039,824
Non-Operating Revenues (Expenses):					
Investment income	-	-	12,831	-	12,831
Intergovernmental	9,078	-	-	-	9,078
Gain (Loss) on Sale/Disposal of Equipment	-	-	21,151	(21,966)	(815)
Other	-	-	16,662	-	16,662
Interest Expense	(126,302)	-	(129,525)	-	(255,827)
Total Non-Operating Revenues (Expenses)	(117,224)	-	(78,881)	(21,966)	(218,071)
Income (Loss) Before Operating Transfers	1,600,913	(818,088)	2,313,243	3,725,685	6,821,753
Operating Transfers:					
Transfer In	302,067	832,250	-	-	1,134,317
Transfers (Out)	(287,188)	-	(240,930)	(800,000)	(1,328,118)
Total Operating Transfers	14,879	832,250	(240,930)	(800,000)	(193,801)
Change in Net Position	1,615,792	14,162	2,072,313	2,925,685	6,627,952
Net Position at Beginning of Year (as restated)	30,768,559	167,936	34,396,326	22,511,123	87,843,944
Net Position at End of Year	\$ 32,384,351	\$ 182,098	\$ 36,468,639	\$ 25,436,808	\$ 94,471,896

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2015)	Cable Operations Fund (as of December 31, 2015)	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 7,542,987	\$ 894,224	\$ 34,937,627	\$ 18,822,552	\$ 62,197,390
Receipts from Other Revenues	44,573	-	-	-	44,573
Payments to Vendors and Employees	(5,289,782)	(1,725,745)	(32,460,331)	(13,057,092)	(52,532,950)
Net Cash Provided by (Used for) Operating Activities	2,297,778	(831,521)	2,477,296	5,765,460	9,709,013
Cash Flows from Noncapital Financing Activities:					
Transfers from (to) Other Funds	14,879	832,250	(240,930)	(800,000)	(193,801)
Due to SELCO - Electric	-	-	-	(28,283)	(28,283)
Net Cash Provided by (Used for) Noncapital Financing Activities	14,879	832,250	(240,930)	(828,283)	(222,084)
Cash Flows from Capital and Related Financing Activities:					
Intergovernmental Revenues	9,078	-	-	-	9,078
WPAT Project Drawdowns	184,349	-	-	-	184,349
Other	-	-	21,151	-	21,151
Acquisition and Construction of Capital Assets	(645,493)	-	(2,388,378)	(1,924,084)	(4,957,955)
Contribution in Aid of Construction	-	-	51,870	-	51,870
Principal Payments on Bonds and Notes	(235,861)	-	(405,000)	-	(640,861)
Interest Expense	(130,135)	-	(135,225)	-	(265,360)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(818,062)	-	(2,855,582)	(1,924,084)	(5,597,728)
Cash Flows from Investing Activities:					
Investment Income	-	-	9,470	-	9,470
Transfer to/from Rate Stabilization	-	-	1,200,000	-	1,200,000
Transfer to/from OPEB Trust	-	-	(9,500)	(90,384)	(99,884)
Payments from (to) Customers for Energy Conservation Loans	-	-	1,588	-	1,588
Proceeds/(Purchase) of Investments	(20,487)	-	(502,799)	(1,158,843)	(1,682,129)
Net Cash Provided by (Used for) Investing Activities	(20,487)	-	698,759	(1,249,227)	(570,955)
Net Increase (Decrease) in Cash and Cash Equivalents	1,474,108	729	79,543	1,763,866	3,318,246
Cash and Cash Equivalents at Beginning of Year	8,970,236	155,338	6,183,047	3,217,280	18,525,901
Cash and Cash Equivalents at End of Year	\$ 10,444,344	\$ 156,067	\$ 6,262,590	\$ 4,981,146	\$ 21,844,147

(Continued)

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund	Cable Operations Fund	
			(as of December 31, 2015)	(as of December 31, 2015)	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	\$ 1,718,137	\$ (818,088)	\$ 2,392,124	\$ 3,747,651	7,039,824
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	702,909	-	1,670,642	2,081,166	4,454,717
Amortization of Deferred Revenue	-	-	-	(51,948)	(51,948)
Deferred (Outflows)/Inflows of Resources Related to Pensions	(28,308)	-	219,846	7,305	198,843
Rate Stabilization	-	-	(1,200,000)	-	(1,200,000)
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable	(170,903)	3,067	(493,945)	58,770	(603,011)
Increase (Decrease) in Accrued Payroll	3,956	-	-	-	3,956
Increase (Decrease) in Compensated Absences	1,686	-	-	-	1,686
Decrease (Increase) in Purchased Power Working Capital	-	-	(77,494)	-	(77,494)
Increase (Decrease) in OPEB Obligation Payable	8,210	-	39,553	54,934	102,697
Increase (Decrease) in Net Pension Liability	2,723	-	(575,949)	(169,866)	(743,092)
Decrease (Increase) in Materials and Supplies	-	-	86,693	131,296	217,989
Decrease (Increase) in Prepaid Expenses	-	-	(140,180)	8,935	(131,245)
Decrease (Increase) in Other Accounts Receivable	-	-	273,664	10,092	283,756
Decrease (Increase) in Customer Accounts Receivable	59,368	(16,500)	282,342	(112,875)	212,335
Total Adjustments	579,641	(13,433)	85,172	2,017,809	2,669,189
Net Cash Provided by (Used for) Operating Activities	\$ 2,297,778	\$ (831,521)	\$ 2,477,296	\$ 5,765,460	\$ 9,709,013

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	SHREWSBURY			
	Employees Retirement System Pension		Other Post Employment Benefit Trust Fund	
	Trust Fund (as of December 31, 2015)	Post Employment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 939,587	\$ -	\$ 25	\$ 1,774,315
Investments	97,183,527	2,902,379	425,825	32,953
Accrued Interest and Dividends	3	-	-	-
Accounts Receivable	39,415	-	-	-
Total Assets	98,162,532	2,902,379	425,850	1,807,268
LIABILITIES				
Due to Others	-	-	-	62,046
Due to Student Groups	-	-	-	345,167
Escrows and Deposits	-	-	-	1,400,055
Total Liabilities	-	-	-	1,807,268
NET POSITION				
Held in Trust for Pension Benefits and Other Purposes	\$ 98,162,532	\$ 2,902,379	\$ 425,850	\$ -

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	SHREWSBURY		
	Employees Retirement		
	System Pension Trust Fund (as of December 31, 2015)	Other Post Employment Benefit Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 5,889,162	\$ 387,027	\$ -
Plan Members	2,279,431	-	-
Transfers/Reimbursements from Other Systems	149,071	-	-
Commonwealth of Massachusetts - COLA	53,029	-	-
Private Donations	-	-	24,505
Total Contributions	8,370,693	387,027	24,505
Investment Income:			
Interest & Dividends	2,230,036	78,538	8,617
Net Change in Fair Value of Investments	(1,425,808)	15,799	13,126
Total Investment Earnings	804,228	94,337	21,743
Less Investment Expense	(340,344)	-	-
Net Investment Earnings	463,884	94,337	21,743
Total Additions	8,834,577	481,364	46,248
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	7,071,534	-	-
Refunds to Members	197,501	-	-
Transfers to Other Systems	531,698	-	-
Educational Scholarships	-	-	18,603
General Expenses	93,103	-	-
Total Deductions	7,893,836	-	18,603
Change in Net Position	940,741	481,364	27,645
Net Position at Beginning of Year	97,221,791	2,421,015	398,205
Net Position at End of Year	\$ 98,162,532	\$ 2,902,379	\$ 425,850

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

Major Fund Criteria

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

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

and

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

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

Proprietary and fiduciary funds are reported by fund type.

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Fund financial statements

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

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

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

The Town reports the following major governmental funds:

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

The *library building fund* is used to account for financial resources to construct a new library.

The Town reports the following major proprietary funds:

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

D. Cash and Cash Equivalents

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

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

Investment income from proprietary funds is maintained in those funds.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

E. Investments

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

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

F. Receivables

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

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

Property taxes are based on assessments as of January 1, 2015 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2016 on June 23, 2015 and September 29, 2015, that were due on August 3, 2015 and November 2, 2015 and actual bills on December 30, 2015, and March 30, 2016, that were due on February 1, 2016 and May 2, 2016, respectively.

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

The legal levy limit under Proposition 2 1/2 for fiscal year 2016 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 63,147,496
Add: Debt Exclusion	4,452,880
	\$ 67,600,376

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The total amount raised by taxation was \$67,548,981.

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

Excise Taxes

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

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

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

User Charges

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

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

The allowance for uncollectibles in the sewer fund is estimated based upon historical trends and specific account analysis. The solid waste enterprise fund is considered 100% collectable and, therefore, does not show an allowance for uncollectibles.

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

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

Departmental

Departmental receivables consist of assessors fees, administrative fees and off-duty details.

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

Special Assessments

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

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

Energy Conservation Loans

The Shrewsbury Electric and Cable Operations (SELCO) – Electric offers 0% interest energy conservation loans for residential and municipal customers. The loans are available for conversion of electric heating

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

systems to energy efficient, non-electric heating systems or for other efficient upgrades, such as installation of energy efficient replacement windows, solar panels, geothermal heating systems, or additional insulation. The maximum loan amount is \$10,000 for residential loans; municipal loan amounts are determined and approved on a case by case basis. The maximum repayment period is sixty months for residential loans and varies with each municipal loan.

Due from Other Governments

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

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

G. Materials and Supplies

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

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

H. Purchased Power Working Capital

Electric Light made an advance deposit to Massachusetts Municipal Wholesale Electric Company (MMWEC), the Electric Light's power supply agent. MMWEC requires that they hold a set amount of capital from which they may pay the power obligations when they are due. The funds are replenished as needed from the payments of monthly invoices to MMWEC.

I. Prepaid Expenses

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

J. Capital Assets

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

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

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

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

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

SELCO – Cable depreciation is computed using percentages ranging from three to twenty percent of the cost of cablevision plant. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

K. Restricted Cash and Cash Equivalents

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

- The *depreciation fund* is restricted to specific uses by the General Laws of Massachusetts. Pursuant to provisions of the Commonwealth’s General Laws, cash in an amount equivalent to the annual depreciation expense is to be transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of utility plant, nuclear decommissioning costs, costs of contractual commitments, and deferred costs related to such commitments which the Municipal Light Board determines are above market value.
- The *rate stabilization reserve fund* was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. The fund is for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, usual price spikes in fuel prices and transmission cost increases. The rate stabilization fund balance at December 31, 2015 was \$4,081,981. During the year, \$1,200,000 was transferred out to reduce purchased power costs. The balance in the fund is offset by a corresponding deferred inflow of resources for the accumulated provisions of rate refund. These funds are comingled and deposited in investment pools. Accordingly, it is not practical to disclose the credit risk of such funds.
- The *all requirements select energy termination trust fund* is used to account for SELCO – Electric participation in MMWEC’s “All Requirements” power supply program. In this program, MMWEC enters into bulk power purchase contracts and other arrangements to meet the power supply needs of its members as efficiently and economically as possible. One of the contracts that MMWEC entered into on behalf of the All Requirements participants was the “Select Energy Contract.” With this contract, MMWEC received power and energy through a 50 megawatt contract with Select Energy. The Select Energy contract provided system power for a term that ran through 2011.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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During the third quarter of 2005, the contract with Select Energy was terminated. MMWEC on behalf of the ten All Requirements participants received \$82 million in proceeds which they have deposited in a custodial account for the benefit of the current All Requirement participants. There is an irrevocable trust "All Requirements Select Energy Termination Trust" that was established that will protect the funds from creditors of both MMWEC and participants. The funds are to be used to offset power costs for replacement of energy and capacity above the costs that would have been incurred with the Select contract. SELCO's portion of the \$82 million buy-out was \$26,568,000. The balance at December 31, 2015 was \$2,368,762.

- The *investment in associated companies fund* is used to hold funds of the electric light fund's equity requirements for the Hydro-Quebec phase II interconnection as required under agreements with the New England Hydro-Transmission Electric Company, Inc. and the New England Hydro-Transmission Corporation. SELCO-Electric's ownership interest is less than one quarter of one percent in both projects. The securities are stated at fair market value. The balance at December 31, 2015 was \$20,821.
- The *construction fund* is used to finance the following year's capital budget projects that have been approved by the Electric Light Commissioners.
- The *power cost adjustment fund* is a SELCO – Electric contingency fund established to mitigate power costs on an as needed basis.

L. Interfund Transfers

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

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

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

M. Deferred Outflows and Inflows of Resources

Government-wide financial statements

The government-wide financial statements statement of net position includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the Town has two items in this category, *deferred loss on refunding and deferred outflows related to pensions*, reported on the government-wide statement of net position. A deferred loss is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. And, the deferred outflows related to pensions for future pension expenses; see note 4C for more information. These amounts are deferred and recognized as outflows of resources in a future period.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has five types of items, *rate stabilization reserve, all requirements select energy termination trust, contribution in aid of construction, deferred gain on refunding and deferred inflows related to pensions*, which qualify in this category. The rate stabilization reserve is the offset of the restricted cash described above. The

TOWN OF SHREWSBURY, MASSACHUSETTS
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SELCO participates in MMWEC's "All Requirements" power supply program. In this program, MMWEC enters into bulk power purchase contracts and other arrangements to meet the power supply needs of its members as efficiently and economically as possible. The deferred gain is the difference between the carrying value of refunded debt and its reacquisition price, and, the deferred inflows related to pensions for future pension revenues; see note 4C for more information. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents recorded in the government fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Net Position and Fund Balances

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

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

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

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

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

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

O. Long-term Debt

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

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

P. Compensated Absences

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

Q. Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Shrewsbury Contributory Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

R. Post Retirement Benefits

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

S. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

- The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:
- All boards, officers and committees of the Town shall annually, at the request of the town manager, submit in writing a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments and offices during the next fiscal year.
- Not less than ninety days prior to the date of the start of the annual Town meeting, the town manager shall submit to each member of the finance committee and of the board of selectmen, a copy of the annual budget.
- The finance committee shall consider the annual budget prepared by the Town manager and may confer with Town boards, officers, and committees and may hold hearings if they deem it advisable.
- The finance committee shall thereupon approve or disapprove the amount. The committee shall furnish to the selectmen on or before April 1st of each year a report with the recommendations and the same shall be printed and ready for distribution at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

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

For fiscal year 2016, the Town incurred a final budget deficit of \$8,421,176 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 2,982,290
Reserve for deficits	(4,799)
Prior year's encumbrances	<u>5,443,685</u>
	<u>\$ 8,421,176</u>

B. Deficit Fund Balances

The following funds have deficits at June 30, 2016 as measured by the balance of unreserved fund balance:

- The *Library Building Project* capital project fund, and Major Fund, has a deficit of \$11,012,063. The Town has a temporary bond anticipation note outstanding of \$18 million for this project. The deficit will be eliminated upon the future receipt of grant funds and upon the issuance of permanent debt.
- The *Police 911* special revenue funds have deficits of \$35,395. The deficits will be eliminated upon the future receipt of grant funds or upon appropriation.
- The *Public Safety* special revenue funds have additional deficits of \$8,128 (Bulletproof Vest fund of \$3,906, Governor Highway Safety fund of \$4,061 and Northeast Massachusetts Technical Rescue Team fund of \$161). The deficits will be eliminated upon the future receipt of grant funds or upon appropriation.
- The *Spring and Paton Schools' heating systems* capital project fund has a deficit of \$92,445. The Town has a temporary bond anticipation note outstanding of \$450,000 for this project. The deficit will be eliminated upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – Town's Financials

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2016 were \$45,862,556. Of these deposits, \$14,312,487 are exposed to custodial credit risk as uninsured and uncollateralized.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Custodial Credit Risks – Deposits – Shrewsbury Contributory Retirement System

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

Deposits at December 31, 2015 were \$995,322. Of these deposits, none are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – Town Financials

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

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

As of June 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	More Than 10
Debt Securities:				
U. S. treasury obligations	\$ 2,289,369	\$ -	\$ 2,289,369	\$ -
U. S. government agencies	22,478,082	-	22,478,082	-
Corporate bonds	5,797,793	883,732	4,914,061	-
Municipal bonds	466,358	-	-	466,358
Money market mutual fund	7,473,835	7,473,835	-	-
	<u>38,505,437</u>	<u>\$ 8,357,567</u>	<u>\$ 29,681,512</u>	<u>\$ 466,358</u>
Other Investments:				
Certificates of deposits	3,528,681			
Equity mutual funds	5,077,017			
Equity securities - domestic	1,172,678			
MMDT	889,937			
	<u>\$ 49,173,750</u>			

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town’s \$49,173,750 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town’s name. The Town has no policy on custodial credit risk.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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Interest Rate Risk

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

Credit Risk

The Town's exposure to credit risk as of June 30, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 2,289,369
<i>U. S. Government Agencies:</i>	
Aaa	22,478,082
<i>Corporate Bonds:</i>	
A1	1,049,492
A2	375,296
A3	753,720
Baa1	3,619,285
<i>Municipal Bonds:</i>	
Aaa	466,358
<i>Money Market Mutual Funds:</i>	
Not rated	7,473,835
	\$ 38,505,437

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corporation amounting to 45.71% of the Town's total investments.

Investment Policies – Shrewsbury Contributory Retirement System

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

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

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

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

- No more than five percent of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and guaranteed by the United States Government, or its agencies, which may be held without limitations.
- For the purposes of these guidelines, convertible bonds and convertible preferred stocks shall be considered fixed income investments.

Miscellaneous provisions:

- Use of swaps, primes, scores or other similar products are prohibited.
- Use of margin buying is prohibited.
- Use of derivative investments including but not limited to: Forwards, future options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and mortgage-backed securities are not considered derivative investments for the purposes of these guidelines. Short selling of securities is prohibited. Unregistered or restricted stocks are prohibited. Commodities are prohibited.
- Commingled or mutual funds with the exception of bank STIF funds are prohibited.
- Yankee bonds are limited to 5% of the fixed income portfolio.
- The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with applicable laws and regulations, the statute shall prevail.

As of December 31, 2015, all the System's investments are in the Pension Reserve Investment Trust (PRIT).

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$97,183,527 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

The System's had no exposure to credit risk as of December 31, 2015.

Concentration of Credit Risk

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

B. Receivables

At June 30, 2016, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	\$ 977,528	\$ (25,414)	\$ 952,114
Tax liens	618,850	(95,205)	523,645
Excise taxes	1,096,600	(457,735)	638,865
User Charges	525,607	(1,000)	524,607
Departmental	69,052	-	69,052
Special assessments	144,017	-	144,017
Due from other governments	18,297,600	-	18,297,600
Fiduciary funds:			
Shrewsbury Employees Retirement System (at December 31, 2015):			
Accounts Receivable	39,415	-	39,415
	<u>\$ 21,768,669</u>	<u>\$ (579,354)</u>	<u>\$ 21,189,315</u>

At June 30, 2016 and (December 31, 2015 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer activities:			
User charges	\$ 988,799	\$ (2,000)	\$ 986,799
Special assessments	562,829	-	562,829
Due from other governments	324,851	-	324,851
	<u>1,876,479</u>	<u>(2,000)</u>	<u>1,874,479</u>
Solid waste activities:			
User charges	63,600	-	63,600
Electric Light activities:			
User charges	2,467,001	(148,000)	2,319,001
Other	583,596	-	583,596
Loan receivable	153,839	-	153,839
	<u>3,204,436</u>	<u>(148,000)</u>	<u>3,056,436</u>
Cablevision activities:			
User charges	1,512,123	(166,000)	1,346,123
Other	33,587	-	33,587
	<u>1,545,710</u>	<u>(166,000)</u>	<u>1,379,710</u>
	<u>\$ 6,690,225</u>	<u>\$ (316,000)</u>	<u>\$ 6,374,225</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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The composition of other receivables in the electric light enterprise fund as of December 31, 2015 is as follows:

Due from Town departments	\$	266,999
Due from MMWEC		170,286
SELCO - Cable		85,073
Liens		29,955
Merchandise and jobbing receivable		15,899
Other		15,384
		15,384
	\$	583,596

The composition of other receivables in the cablevision enterprise fund as of December 31, 2015 is as follows:

Advertising receivables	\$	10,193
Other		23,394
		23,394
	\$	33,587

Other accounts receivable consists of money due to SELCO – Cable for advertising sales. The balance also has monies owed to SELCO – Cable for pole rentals.

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

The composition of amounts due from other governments as of June 30, 2016 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouse \$ 43,440

Department of Veterans Services:

Veterans benefits 91,966

Massachusetts School Building Authority

School Building Assistance - Capital portion 15,497,841 \$ 15,633,247

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants 109,777

Commonwealth of Massachusetts:

Executive Office of Public Safety & Homeland Security:

Public safety grants 8,219

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 2,546,357 2,664,353

\$ 18,297,600

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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The composition of amounts due from other governments as of June 30, 2016 for the business-type funds is as follows:

Business-Type Funds:

Sewer Fund:

Commonwealth of Massachusetts:

Massachusetts Clean Water Trust:

Sewer projects

\$ 324,851

C. Deferred Inflows of Resources – Unavailable Revenue

Government-wide financial statements

The government-wide financial statements statement of net position includes a separate section, listed below total assets, for *deferred outflows of resources*. The items in this category are *deferred loss on refunding and deferred outflows related to pensions*. A deferred loss is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. The current balance is \$236,923 and is amortized until fiscal year 2025. The governmental and business-type activity outflows as related to pensions are explained in note 4C.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. The Town has five types of items which qualify in this category. The governmental and business-type activity inflows as related to pensions are explained in note 4C.

Governmental type funds *deferred inflows of resources* is a deferred gain on refunding. A deferred gain is the difference between the carrying value of refunded debt and its reacquisition price. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The current balance is \$534,783 and is amortized until fiscal year 2022.

Business-type funds *deferred inflows of resources* is the rate stabilization reserve, all requirements select energy termination trust and contribution in aid of construction.

The rate stabilization reserve is the offset of the restricted cash which was created as an aftermath of deregulation. The Municipal Light Departments of Massachusetts Reserve Trust was created and established in anticipation of the restructuring of the electric industry in Massachusetts, and in recognition of the fact that as such restructuring occurs. The current balance is \$4,081,981.

The all requirements select energy termination trust fund is an irrevocable trust established to protect the funds from creditors of both the MMWEC and the participants. In this program, MMWEC enters into bulk power purchase contracts and other arrangements to meet the power supply needs of its members as efficiently and economically as possible. One of the contracts that MMWEC entered into on behalf of the All Requirements participants was the "Select Energy Contract." The Select Energy contract (terminated during the third quarter of 2005) provided system power for a term that ran through 2011. MMWEC on behalf of the ten All Requirements participants received \$82,000,000 in proceeds which they deposited in a custodial account for the benefit of the current participants. The funds are to be used to offset power costs for replacement of energy and capacity above the costs that would have been incurred with the Select Energy contract. SELCO's portion of the \$82,000,000 buy-out was \$26,568,000. The current balance is \$2,368,762.

The contribution in aid of construction current balance is \$51,870.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Fund financial statements

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds are as follows:

Governmental Funds:

General fund:

Property taxes	\$	655,414	
Tax liens		523,645	
Excise taxes		638,865	
User charges		524,607	
Departmental		6,963	
Special assessments		88,754	
Due from other governments		15,589,807	\$ 18,028,055

Nonmajor governmental funds:

Departmental		61,789	
Special assessments		55,263	
Due from other governments		2,102,756	2,219,808
			\$ 20,247,863

D. Capital Assets

Capital asset activity for the year ended June 30, 2016, follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,401,586	\$ -	\$ (16,309)	\$ 15,385,277
Construction in Progress	8,085,234	12,331,471	(2,557,513)	17,859,192
Total capital assets not being depreciated	23,486,820	12,331,471	(2,573,822)	33,244,469
Capital assets being depreciated:				
Buildings and Renovations	162,952,147	76,150	-	163,028,297
Machinery, equipment and other	7,335,643	252,127	(79,899)	7,507,871
Infrastructure	37,220,218	3,742,258	-	40,962,476
Total capital assets being depreciated	207,508,008	4,070,535	(79,899)	211,498,644
Less accumulated depreciation for:				
Buildings and Renovations	58,905,558	5,493,789	-	64,399,347
Machinery, equipment and other	5,977,915	501,002	(79,899)	6,399,018
Infrastructure	12,423,436	1,358,925	-	13,782,361
Total accumulated depreciation	77,306,909	7,353,716	(79,899)	84,580,726
Total capital assets being depreciated, net	130,201,099	(3,283,181)	-	126,917,918
Total governmental activities capital assets, net	\$ 153,687,919	\$ 9,048,290	\$ (2,573,822)	\$ 160,162,387

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Business-type Activities

Sewer Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ 4,959,057	\$ 645,493	\$ (5,604,550)	\$ -
Total capital assets not being depreciated	4,959,057	645,493	(5,604,550)	-
Capital assets being depreciated:				
Machinery, equipment and other	470,701	-	-	470,701
Infrastructure	19,684,703	5,604,550	-	25,289,253
Total capital assets being depreciated	20,155,404	5,604,550	-	25,759,954
Less accumulated depreciation for:				
Machinery, equipment and other	402,061	33,961	-	436,022
Infrastructure	9,023,363	668,948	-	9,692,311
Total accumulated depreciation	9,425,424	702,909	-	10,128,333
Total capital assets being depreciated, net	10,729,980	4,901,641	-	15,631,621
Total governmental activities capital assets, net	\$ 15,689,037	\$ 5,547,134	\$ (5,604,550)	\$ 15,631,621

**Electric light activities
(As of December 31, 2015)**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in Progress	7,204,224	321,397	(7,520,103)	5,518
Total capital assets not being depreciated	7,343,516	321,397	(7,520,103)	144,810
Capital assets being depreciated:				
Electric utility plant	55,688,054	9,587,084	(65,815)	65,209,323
Total capital assets being depreciated	55,688,054	9,587,084	(65,815)	65,209,323
Less accumulated depreciation for:				
Electric utility plant	33,736,745	1,670,642	(65,815)	35,341,572
Total accumulated depreciation	33,736,745	1,670,642	(65,815)	35,341,572
Total capital assets being depreciated, net	21,951,309	7,916,442	-	29,867,751
Total governmental activities capital assets, net	\$ 29,294,825	\$ 8,237,839	\$ (7,520,103)	\$ 30,012,561

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Cablevision activities

(As of December 31, 2015)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ 12,000	\$ -	\$ (12,000)	\$ -
Total capital assets not being depreciated	12,000	-	(12,000)	-
Capital assets being depreciated:				
Plant investment	43,124,500	1,936,084	(815,185)	44,245,399
Total capital assets being depreciated	43,124,500	1,936,084	(815,185)	44,245,399
Less accumulated depreciation for:				
Plant investment	26,653,673	2,081,166	(793,219)	27,941,620
Total accumulated depreciation	26,653,673	2,081,166	(793,219)	27,941,620
Total capital assets being depreciated, net	16,470,827	(145,082)	(21,966)	16,303,779
Total governmental activities capital assets, net	\$ 16,482,827	\$ (145,082)	\$ (33,966)	\$ 16,303,779

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

Governmental Activities:

General government	\$ 46,757
Public safety	477,311
Public works	1,511,568
Education	5,060,145
Health and human services	77,667
Culture and recreation	180,268
Total depreciation expense - governmental activities	<u>\$ 7,353,716</u>

Business-Type Activities:

Sewer enterprise fund	\$ 702,909
Electric light enterprise fund	1,670,642
Cablevision enterprise fund	2,081,166
Total depreciation expense - business-type activities	<u>\$ 4,454,717</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ -	\$ 834,317	\$ 834,317
Library building project fund	-	280	-	280
Nonmajor governmental funds	1,204,265	-	300,000	1,504,265
Business-type fund	1,533,757	-	-	1,533,757
Total transfers out	\$ 2,738,022	\$ 280	\$ 1,134,317	\$ 3,872,619

The remaining \$3,361 amount shown on the Statement of Activities represents a transfer that took place when the year end conversion occurred from a fiscal year June 30th end to a calendar year December 31st year end for the enterprise funds.

F. Short-Term Financing

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

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

Governmental Activities

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
Bond Anticipation Notes:						
Library building project	1.00%	07/30/15	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
Library building project	2.00%	07/29/16	-	18,000,000	-	18,000,000
School remodeling	0.70%	07/29/16	-	450,000	-	450,000
Total Governmental Activities			\$ 3,000,000	\$ 18,450,000	\$ 3,000,000	\$ 18,450,000

G. Long Term Debt

General Obligation Bonds

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
Land Acquisition - Conservation	4.74%	6/1/1999	6/1/2019	\$ 1,473,500	\$ 335,000
Land Acquisition - High School	4.75%	6/1/1999	6/1/2019	2,400,000	340,000
High School Construction - Refunded	2.64%	4/15/2010	8/15/2021	29,606,000	17,510,000
Land Acquisition - Conservation - Refunded	2.37%	4/15/2010	8/15/2019	855,000	420,000
Fire Facilities Renovations	3.44%	2/15/2008	2/15/2026	6,800,000	3,760,000
Land Acquisition - Credit Union	2.38%	7/14/2011	7/1/2021	680,000	400,000
Land Acquisition - Allen Farm	2.85%	11/15/2012	11/15/2032	6,100,000	5,185,000
School Additions/Renovations:					
Middle School West Refunded	1.44%	4/12/2013	11/15/2024	3,985,000	3,420,000
Parker Road Preschool Refunded	1.44%	4/12/2013	11/15/2024	435,000	330,000
Spring Street School	1.80%	1/23/2014	1/15/2024	635,000	505,000
Total Inside Debt					<u>32,205,000</u>
Outside Debt:					
<i>Massachusetts Clean</i>					
<i>Water Trust:</i>					
Septic - Title V	N/A	10/25/2000	8/1/2018	86,947	14,487
Septic - Title V	N/A	2/1/2004	8/1/2022	105,896	39,045
Septic - Title V	N/A	11/16/2005	7/15/2025	94,573	47,283
Water Tank	2.96%	2/15/2008	2/15/2018	1,250,000	250,000
Middle School Construction	3.59%	7/14/2011	7/1/2031	20,000,000	16,000,000
Water Improvements	1.56%	11/15/2012	11/15/2022	681,000	470,000
Total Outside Debt					<u>16,820,815</u>
Total governmental type debt					<u><u>\$ 49,025,815</u></u>

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

Year	Principal	Interest	Total
2017	\$ 5,845,099	\$ 1,866,646	\$ 7,711,745
2018	5,820,099	1,631,937	7,452,036
2019	5,560,099	1,398,918	6,959,017
2020	5,380,269	1,172,978	6,553,247
2021	5,170,269	944,108	6,114,377
2022-2026	13,114,980	2,545,659	15,660,639
2027-2031	6,525,000	953,682	7,478,682
2032-2034	1,610,000	42,447	1,652,447
	<u>\$ 49,025,815</u>	<u>\$ 10,556,375</u>	<u>\$ 59,582,190</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Sewer activities:					
Inside Debt:					
Massachusetts Clean					
Water Trust:					
Assebet River consortium	N/A	07/15/01	02/01/21	\$ 490,127	\$ 99,770
Assebet River consortium	N/A	07/23/05	07/15/20	168,653	54,036
Sewer Interceptor Improvements	2.00%	05/22/13	01/15/33	956,875	788,388
Sewer System improvements	2.00%	01/07/15	01/15/35	4,146,710	3,978,971
					<u>4,921,165</u>
Electric light activities:					
(as of December 31, 2015)					
Outside Debt:					
Installation of transformers	2.03%	04/15/10	08/15/17	649,000	210,000
Electric light plant upgrades	2.95%	01/23/14	01/15/34	6,000,000	5,700,000
					<u>5,910,000</u>
Total Business-Type Funds					<u>\$ 10,831,165</u>

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

Year	Principal	Interest	Total
2017	\$ 240,333	\$ 100,134	\$ 340,467
2018	244,902	94,718	339,620
2019	249,571	89,099	338,670
2020	254,339	83,544	337,883
2021	262,431	78,537	340,968
2022-2026	1,222,359	319,116	1,541,475
2027-2031	1,361,093	191,450	1,552,543
2032-2035	1,086,137	52,676	1,138,813
	<u>\$ 4,921,165</u>	<u>\$ 1,009,274</u>	<u>\$ 5,930,439</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Debt service requirements for principal and interest for the electric light enterprise funds of December 31, 2015 are as follows:

Year	Principal	Interest	Total
2016	\$ 405,000	\$ 180,600	\$ 585,600
2017	405,000	166,350	571,350
2018	300,000	150,600	450,600
2019	300,000	141,600	441,600
2020	300,000	135,600	435,600
2021-2034	4,200,000	1,001,400	5,201,400
	<u>\$ 5,910,000</u>	<u>\$ 1,776,150</u>	<u>\$ 7,686,150</u>

A summary of the changes in governmental activities long-term obligations follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 55,245,000	\$ -	\$ 6,320,000	\$ 48,925,000	\$ 5,830,000
Massachusetts Clean Water Trust bonds	115,914	-	15,099	100,815	15,099
Compensated absences	1,215,060	72,228	50,985	1,236,303	390,413
OPEB obligation payable	33,477,469	4,582,629	-	38,060,098	-
Net pension liability	17,312,267	1,018,685	-	18,330,952	-
Deferred Outflows: less					
loss on advance refunding	(257,692)	-	(20,769)	(236,923)	(20,769)
Deferred Inflows: Add					
gain on advance refunding	624,671	-	89,888	534,783	89,888
Governmental activity Long-term liabilities	<u>\$ 107,732,689</u>	<u>\$ 5,673,542</u>	<u>\$ 6,455,203</u>	<u>\$ 106,951,028</u>	<u>\$ 6,304,631</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

A summary of the changes in the business-type long-term obligations (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2015) follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Business type activities:					
Sewer activities					
Bond Payable:					
Massachusetts Clean Water Trust bonds	\$ 5,209,253	\$ -	\$ 288,088	\$ 4,921,165	\$ 240,333
Compensated absences	13,473	1,686	-	15,159	3,790
OPEB obligation payable	134,163	8,210	-	142,373	-
Net pension liability	135,828	2,723	-	138,551	-
Total sewer activities long-term liabilities	5,492,717	12,619	288,088	5,217,248	244,123
Electric light activities: (as of December 31, 2015)					
Bond Payable:					
General obligation bonds	6,315,000	-	405,000	5,910,000	405,000
Net pension liability	3,474,835	-	575,949	2,898,886	-
Total electric light activities long-term liabilities	9,789,835	-	980,949	8,808,886	405,000
Cablevision activities: (as of December 31, 2015)					
OPEB obligation payable	368,878	-	35,450	333,428	-
Net pension liability	1,024,845	-	169,866	854,979	-
Total cablevision activities long-term liabilities	1,393,723	-	205,316	1,188,407	-
Business-type activity Long-term liabilities	\$ 16,676,275	\$ 12,619	\$ 1,474,353	\$ 15,214,541	\$ 649,123

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$5,859,963 and interest costs of \$1,427,361 for seven loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2016 for principal and interest combined for the loans is \$6,039,212. The net repayments, including interest, are scheduled to be \$5,992,888. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2016 principal and interest subsidies totaled \$12,023.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2016 totaled \$37,126,165.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The following is a computation of the legal debt limit as of June 30, 2016:

Equalized Valuation-Real Estate and Personal Property (2014)		\$ 4,974,698,800
Debt Limit: 5 % of Equalized value		<u>248,734,940</u>
Total Debt Outstanding	\$ 59,556,980	
Less: Debt Outside Debt Limit	<u>(22,430,815)</u>	<u>37,126,165</u>
Inside Debt Excess Borrowing Capacity at June 30, 2016		<u>\$ 211,608,775</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as permanent long term debt of June 30, 2016 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
05/17/10	Upgrade existing sewer trunk line from Grafton Street to former sewer treatment facility Shrewsbury and Northborough line	\$ 643,125
05/24/12	Construction, reconstruction and other improvements of sewer trunk line from Grafton Street to former sewer treatment facility	353,290
10/21/13	Public Library construction and renovations	<u>20,300,000</u>
		<u>\$ 21,296,415</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

H. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2016:

	General Fund	Library Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Federal, state and local grants	\$ -	\$ -	\$ 1,694,026	\$ 1,694,026
School revolving funds	-	-	2,161,541	2,161,541
Town revolving funds	-	-	230,900	230,900
Debt service	1,128,512	-	16,462	1,144,974
Default accounts	-	-	79,929	79,929
Gifts and donations	-	-	639,379	639,379
Inflow/infiltration	-	-	1,547,468	1,547,468
Insurance	-	-	241,210	241,210
Parks and recreation	-	-	217,464	217,464
Sale of cemetery lots	-	-	72,432	72,432
Sale of real estate	-	-	46,025	46,025
Water conservation	-	-	188,466	188,466
Capital projects	-	-	180,886	180,886
Permanent funds	-	-	2,163,967	2,163,967
Other	-	-	1,511,057	1,511,057
	<u>1,128,512</u>	<u>-</u>	<u>10,991,212</u>	<u>12,119,724</u>
Committed:				
Capital projects	-	-	330,269	330,269
Workers' compensation	-	-	42,048	42,048
	<u>-</u>	<u>-</u>	<u>372,317</u>	<u>372,317</u>
Assigned:				
General government	1,006,521	-	-	1,006,521
Public safety	615,376	-	-	615,376
Public works (including water)	5,442,646	-	-	5,442,646
Education	240,290	-	-	240,290
Health and human services	76,519	-	-	76,519
Culture and recreation	160,132	-	-	160,132
Subsequent year's budget	3,254,908	-	-	3,254,908
	<u>10,796,392</u>	<u>-</u>	<u>-</u>	<u>10,796,392</u>
Unassigned:				
General Fund	8,022,740	-	-	8,022,740
Deficit capital projects	-	(11,012,063)	(92,445)	(11,104,508)
Deficit special revenue	-	-	(43,523)	(43,523)
	<u>8,022,740</u>	<u>(11,012,063)</u>	<u>(135,968)</u>	<u>(3,125,291)</u>
Total Governmental fund balances	<u>\$ 19,947,644</u>	<u>\$ (11,012,063)</u>	<u>\$ 11,227,561</u>	<u>\$ 20,163,142</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

I. Special Trust Funds

Stabilization Fund

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

At June 30, 2016 the balance in the stabilization fund is \$634,352 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

Federal Financial Assistance

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

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

Shrewsbury Electric and Cable Operations (SELCO)

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Electric Light Enterprise Fund – Commitments and Contingencies

Power Sales Agreement

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should Project Participant fail to make any payment when due, other Project Participants may be required to increase (step up) their payments and correspondingly, their Participant's share of that Project's Project Capability to an additional amount not exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

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

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

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Shrewsbury Electric and Cable Operations have entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both PSAs and PPAs, the SELCO-Electric is required to make certain payments to MMWEC payable solely from SELCO-Electric's revenues. Under the PSAs, each participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

As of December 31, 2015 total capital expenditures for MMWEC's Projects amounted to \$1,626,959,000, of which \$77,524,000 represents the amount associated with the SELCO-Electric's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$112,510,000, of which \$5,743,000 is associated with the SELCO-Electric's share of Project Capability. As of December 31, 2015, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$121,353,000, of which \$6,199,000 is anticipated to be billed to the SELCO-Electric in the future.

The estimated aggregate amount of Shrewsbury Electric and Cable Operation's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2015, and estimated for future years is shown below.

For years ended December 31, 2016	\$	3,131,000
2017		2,459,000
2018		200,000
2019		409,000
		<u>6,199,000</u>
	\$	<u>6,199,000</u>

In addition, under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSA's was \$8,150,000 for the year ended December 31, 2015.

Other Power Supply: The Department has entered into a Service Agreement with MMWEC, under which MMWEC performs bulk power supply services to the Department, including services related to owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the Service Agreement, the Department is committed to purchase additional power through MMWEC in the amount of \$6,734,039 in 2016, \$4,921,961 in 2017, \$3,743,837 in 2018, \$2,268,516 in 2019 and \$1,322,500 in 2020.

Berkshire Wind Cooperative Corporation: SELCO-Electric (Department) is a member of the Berkshire Wind Cooperative Corporation. The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Department (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environment energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its pro rata share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility.

The Shrewsbury Electric & Cable Operations has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under the PPA, the Department is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperation Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Department is required to pay the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2015, total capital expenditures for the Berkshire Wind Facility amounted to \$59,081,577, of which \$7,514,000; represents the amount associated with the Department's share of the Capability of the Berkshire Wind Facility of which it is a member, although such amount is not allocated to the Department. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$55,420,000, of which \$7,048,000 is associated with the Department's share of Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Department. As of December 31, 2015, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$80,988,000 of which \$10,300,000 is anticipated to be billed to the Department in the future.

The estimated agreement amount of the Shrewsbury Electric & Cable Operations required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2015 and estimated for future years is shown below:

For years ended December 31, 2016	\$	687,000
2017		687,000
2018		687,000
2019		686,000
2020		687,000
2021-2025		3,433,000
2026-2030		3,433,000
		<u>10,300,000</u>

Cablevision Enterprise Fund – Commitments and Contingencies

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2021.

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The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2016:

For years ended December 31, 2016	\$	7,355,295
2017		5,830,403
2018		5,145,855
2019		4,330,372
2020-2021		4,205,650
	\$	<u><u>26,867,575</u></u>

Signal purchase expense under these contracts was \$7,478,056 in 2015.

C. Pension Plan

Plan Description

The Town is a member of the Shrewsbury Contributory Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Shrewsbury Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 100 Maple Avenue, Shrewsbury, Massachusetts.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense contributed by the Commonwealth of \$9,941,583 on-behalf payments for the fiscal year ending June 30, 2016 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2015 was \$4,922,794, representing 22.2% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2016, the Town reported a liability of \$20,480,574 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage was 98.066%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2016, the Town recognized a pension cost of \$2,115,509 and reported deferred outflows of resources related to pensions of \$6,973,894 from the net difference between projected and actual investment earnings on pension plan investments and deferred inflows of resources related to pensions of \$5,168,343 from net differences between expected and actual experience. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or changes of assumptions as of December 31, 2015.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,	
2017	\$ 451,388
2018	451,388
2019	451,388
2020	451,387
	<u>\$ 1,805,551</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2015:

Valuation date	January 1, 2016
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	The actuarial value of assets is the market value.
Investment rate of return	7.5% per year
Projected salary increase	3.5% per year.
Inflation	Not explicitly assumed
Cost of living adjustments	3.0% of the lesser of the pension amount and \$12,000 per year.
Mortality rates	Both pre-retirement and beneficiary mortality rates are reflected by the RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality table set forward 2 years.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
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Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	40.0%	7.0%
Fixed Income	22.5%	2.4%
Foreign Equity	17.5%	4.0%
Real Assets	10.0%	7.1%
Private Equity	6.0%	12.1%
Hedge Funds	4.0%	2.7%
Total	<u>100%</u>	<u>4.8%</u>

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.45%.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarial determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute and in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate (amounts expressed in thousands):

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Town's net pension liability	\$ 33,652,972	\$ 20,480,574	\$ 9,373,684

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

D. Other Post Employment Benefits Payable

GASB Statement No. 45

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

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 1,553 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2016 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$2,055,568 consisting of \$2,041,024 for the governmental activities and \$14,544 for the sewer business-type activities. For the calendar year 2015, the cablevision fund premiums plus implicit costs for the retiree medical program is \$60,197.

Annual OPEB Cost and Net OPEB Obligation

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

	<u>Business-type Activities</u>			Total
	Governmental Activities	Sewer Fund	Cable Operations Fund (As of December 31, 2015)	
Annual required contribution	\$ 6,400,470	\$ 21,859	\$ 115,131	\$ 6,537,460
Interest on net OPEB obligation	1,339,099	5,367	-	1,344,466
Adjustment to annual required contribution	(1,115,916)	(4,472)	-	(1,120,388)
Annual OPEB cost (expense)	6,623,653	22,754	115,131	6,761,538
Contributions made during the fiscal year	(2,041,024)	(14,544)	(60,197)	(2,115,765)
Increase in net OPEB obligation	4,582,629	8,210	54,934	4,645,773
Transfers to OPEB Trust Fund	-	-	(90,384)	(90,384)
Net OPEB Obligation - beginning of year	33,477,469	134,163	368,878	33,980,510
Net OPEB Obligation - end of year	<u>\$ 38,060,098</u>	<u>\$ 142,373</u>	<u>\$ 333,428</u>	<u>\$ 38,535,899</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The governmental activities and the sewer fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/16	\$ 6,646,407	30.93%	\$ 38,202,471
06/30/15	\$ 6,609,421	34.71%	\$ 33,611,632
06/30/14	\$ 6,316,558	34.48%	\$ 29,296,028

The cable television fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 calendar year and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/15	\$ 115,131	130.79%	\$ 333,428
12/31/14	\$ 85,894	138.61%	\$ 368,878
12/31/13	\$ 96,632	131.97%	\$ 402,042

Funded Status and Funding Process

As of June 30, 2016, the most recent valuation date, the actuarial liability for benefits was \$76,584,645 and the actuarial value of assets was \$808,727, resulting in a total unfunded actuarial accrued liability (UAAL) of \$75,775,918. The covered payroll (annual payroll of active employees covered by the plan) was \$65,004,420, and the ratio of the UAAL to the covered payroll was 116.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The actuarial assumptions include a funded interest rate of 7.5% per year, net of investment expense and an unfunded

TOWN OF SHREWSBURY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

interest rate of 4.0% per year, net of investment expenses and medical care inflation trend of 5.0% in 2016 decreasing to an ultimate 4.5% in 2017.

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

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$2,902,379 as of June 30, 2016.

E. Subsequent Event

In July of 2015, the Town received \$9,745,000 in bond proceeds to finance the library construction project. Principal payments will be due annually on July 15th for 20 years. Interest is payable semi-annually on January 1st and July 1st commencing January 1, 2017.

F. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

G. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

5. RESTATEMENT

As required by GASB Statement No. 67 and Statement No. 68, the net position of the business-type activities as of June 30, 2015 has been restated. The beginning business-type net position decreased \$766,257 to \$87,843,944 to reflect the pension liability in the electric light fund of (\$2,735,790) and the cable operations fund of (\$806,876) and the increase in net investment in capital assets to reflect a decrease in depreciation expense in the cable operations fund of \$2,776,409..

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SHREWSBURY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Shrewsbury Contributory Retirement System
For the Year Ended June 30, 2016

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/15</u>	<u>12/31/14</u>
Town's share of the net pension liability (asset)	98.066%	98.442%
Town's proportionate share net pension liability (asset)	\$ 20,480,574	\$ 21,201,960
Town's covered employee payroll	\$ 23,692,881	\$ 23,896,051
Town's percentage	98.066%	98.442%
Town's share of covered employee payroll	<u>\$ 23,234,659</u>	<u>\$ 23,523,751</u>
Net pension liability percentage of covered-employee payroll	88.1%	90.1%
Plan fiduciary net position as a percentage of the total pension liability	82.5%	81.9%

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Shrewsbury Contributory Retirement System
For the Year Ended June 30, 2016

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 4,922,794	\$ 5,405,248
Less: Contributions in relation to the actuarially determined contribution	<u>(4,922,794)</u>	<u>(5,405,248)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 23,692,881	\$ 23,896,051
Town's percentage	<u>98.066%</u>	<u>98.442%</u>
Town's share of covered employee payroll	<u>\$ 23,234,659</u>	<u>\$ 23,523,751</u>
Contributions percentage of covered-employee payroll	21.2%	23.0%

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan Schedule
Year Ended June 30, 2016

Schedule of Funding Progress

Other Post Employment Benefits - Town

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/16	\$ 808,727	\$ 76,584,645	\$ 75,775,918	1.06%	\$ 65,004,420	116.6%
06/30/14	\$ 418,528	\$ 68,980,941	\$ 68,562,413	0.61%	\$ 52,875,483	129.7%
6/30/2012	\$ 187,844	\$ 68,074,406	\$ 67,886,562	0.28%	\$ 54,804,649	123.9%

Schedule of Contribution Funding

Other Post Employment Benefits

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2016	\$ 6,646,407	\$ 2,055,568	30.93%
2015	\$ 6,609,421	\$ 2,293,817	34.71%
2014	\$ 6,316,558	\$ 2,177,778	34.48%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to the Financial Statements.

Actuarial Methods:

Valuation date	June 30, 2016
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	30-year amortization payments
Remaining amortization period	23 years remaining as of June 30, 2016

Actuarial Assumptions:

Investment rate of return	Funded 7.5% per year, net of investment expenses Unfunded 4.0% per year, net of investment expenses
Medical/drug cost trend rate	5.0% in 2016 declining to an ultimate rate of 4.5% per year

Plan Membership:

Current active members	1,012
Current retirees, beneficiaries and dependents	648
Total	<u>1,660</u>

SUPPLEMENTARY SCHEDULES

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 220,921	\$ 1,928,102	\$ 2,136,338	\$ -	\$ 12,685
Arts Lottery Council Grant	9,154	8,640	10,538	-	7,256
Elderly Programs	-	59,292	59,292	-	-
Extended Polling Hours	-	4,378	4,378	-	-
Highway Grants	-	1,002,549	1,002,549	-	-
Library Grants	217,186	43,601	12,547	-	248,240
Other Grants and Programs	68,934	48,286	6,604	-	110,616
Park Improvement Grant	-	250,000	6,850	-	243,150
Public Safety Grants	(74,661)	162,312	124,335	-	(36,684)
Schools:					
School Lunch Program	29,055	1,734,492	1,653,271	-	110,276
School Lunch Commodities	-	185,808	185,808	-	-
School Revolving Accounts	2,037,131	4,765,713	4,751,672	-	2,051,172
School Choice	-	593	500	-	93
State Special Education Reimbursement Fund	1,179,648	3,469,072	3,679,804	-	968,916
Other:					
Conservation Commission	-	4,950	1,320	-	3,630
Council on Aging Van Revolving	97,747	34,677	23,902	-	108,522
Donahue Rowing Center Revolving	-	80,857	116,005	35,148	-
Filing Fees	177,143	172,098	109,588	-	239,653
Gifts and Donations	515,131	429,168	304,920	-	639,379
Infiltration and Inflow	1,669,508	177,960	-	(300,000)	1,547,468
Insurance Reimbursements	431,674	27,196	217,660	-	241,210
Interest on Borrowing	2,455	13,727	-	280	16,462
Law Enforcement Fund	67,648	3,550	9,356	-	61,842
Parks and Recreation Revolving	220,021	338,759	341,317	-	217,463
Police Off Duty Revolving	6,342	491,851	481,017	-	17,176
Public Buildings Revolving	36,582	92,923	39,959	-	89,546
Sale of Cemetery Lots	63,339	27,093	-	(18,000)	72,432
Sale of Real Estate	13,105	32,920	-	-	46,025
Septic Loan Program	10,743	-	-	-	10,743
Septic Loan Repayment Fund	144,697	12,935	-	(15,099)	142,533
Total Special Revenue Page 77	\$ 7,143,503	\$ 15,603,502	\$ 15,279,530	\$ (297,671)	\$ 7,169,804

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Continued from Page 77	\$ 7,143,503	\$ 15,603,502	\$ 15,279,530	\$ (297,671)	\$ 7,169,804
Special Revenue (continued):					
Other (continued):					
Special Needs Recreation Fund	18,069	11,299	13,712	-	15,656
Surety Defaults	79,929	-	-	-	79,929
Water Conservation Fund	291,147	42,319	-	(145,000)	188,466
Zoning Board Review Fees	-	67,360	38,597	-	28,763
Affordable Housing Fund	243,868	12,996	-	-	256,864
Cemetery Stabilization Fund	109,684	19,816	-	(75,000)	54,500
Rowing Center Fund	711,697	35,980	-	(35,148)	712,529
Workers Compensation Fund	42,048	-	-	-	42,048
Total Special Revenue Funds	8,639,945	15,793,272	15,331,839	(552,819)	8,548,559
Capital Projects:					
Allen Farm	34,133	-	2,515	-	31,618
Lakeway State Grant	20,181	-	-	-	20,181
Public Works Projects	76,184	-	40	-	76,144
Sherwood Middle School Project	151,768	-	2,500	-	149,268
Spring and Paton Schools Heating Systems	-	-	92,445	-	(92,445)
Water Projects	1,281,435	-	-	(951,166)	330,269
Total Capital Projects	1,563,701	-	97,500	(951,166)	515,035
Permanent Funds:					
Cemetery Funds	1,474,125	122,614	17,742	-	1,578,997
Library Funds	580,747	30,338	26,115	-	584,970
Total Permanent Funds	2,054,872	152,952	43,857	-	2,163,967
Total - Non-Major Governmental Funds	\$ 12,258,518	\$ 15,946,224	\$ 15,473,196	\$ (1,503,985)	\$ 11,227,561

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL
TAXES AND TAXES IN LITIGATION
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 66,694,812	\$ 205,943	\$ 65,710,590	\$ 778,279	\$ 778,279
Levy of 2015	826,154	-	259,014	471,181	95,959	95,959
Levy of 2014	47,497	-	41,643	6,090	(236)	(236)
Levy of 2013	(107)	-	284	-	(391)	(391)
Levy of 2012	(153)	-	(153)	-	-	(152)
Prior Years	(2,068)	-	(657)	-	(1,411)	(2,069)
	<u>871,323</u>	<u>66,694,812</u>	<u>506,074</u>	<u>66,187,861</u>	<u>872,200</u>	<u>871,390</u>
Personal Property Taxes:						
Levy of 2016	-	950,528	984	941,584	7,960	7,960
Levy of 2015	13,797	-	3,752	9,240	805	805
Levy of 2014	3,437	-	3,657	326	(546)	(546)
Levy of 2013	4,323	-	2,644	-	1,679	1,679
Levy of 2012	3,216	-	2,440	39	737	737
Prior Years	27,797	-	10,871	(4,960)	21,886	21,803
	<u>52,570</u>	<u>950,528</u>	<u>24,348</u>	<u>946,229</u>	<u>32,521</u>	<u>32,438</u>
Supplemental Taxes	<u>14,412</u>	<u>71,404</u>	<u>-</u>	<u>45,312</u>	<u>40,504</u>	<u>40,509</u>
Taxes in Litigation	<u>37,025</u>	<u>15,763</u>	<u>-</u>	<u>20,485</u>	<u>32,303</u>	<u>32,303</u>
Total Real Estate, Personal Property, Supplemental Taxes and Taxes in Litigation	<u>\$ 975,330</u>	<u>\$ 67,732,507</u>	<u>\$ 530,422</u>	<u>\$ 67,199,887</u>	<u>\$ 977,528</u>	<u>\$ 976,640</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 5,644,926	\$ 80,800	\$ 5,028,118	\$ 536,008	\$ 535,871
Levy of 2015	187,066	595,118	36,264	683,277	62,643	62,643
Levy of 2014	61,649	7,220	2,550	36,210	30,109	30,109
Levy of 2013	31,384	-	1,971	4,796	24,617	24,617
Levy of 2012	22,398	-	192	3,241	18,965	18,965
Prior Years	427,757	-	-	3,499	424,258	424,302
Total Motor Vehicle Excise Taxes	\$ 730,254	\$ 6,247,264	\$ 121,777	\$ 5,759,141	\$ 1,096,600	\$ 1,096,507

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 506,557	\$ 358,257	\$ (16,679)	\$ 262,643	\$ 618,850	\$ 618,850