

**TOWN OF SHREWSBURY, MASSACHUSETTS**

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

**For the Year Ended June 30, 2018**

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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, 2018 (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, 2017), 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 42 percent and 27 percent, respectfully, of the assets; 37 percent and 30 percent, respectfully, of the net position; and 50 percent and 35 percent, respectfully, 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 42 percent and 27 percent, respectfully, of the assets; 37 percent and 30 percent, respectfully, of the net position; and 50 percent and 35 percent, respectfully, of the operating revenues. 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, 2018, (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, 2017), 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 March 25, 2019, 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

March 25, 2019

## **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, 2018. 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 \$213,418,973 (net position) for the fiscal year reported. This compares to the previous year when the Town's total net position was \$199,054,188, an increase of \$14,364,785 (7%).
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the Town recognized an increase to the Other Post Employment Benefits (OPEB) obligation payable of \$1,507,803 on the statement of net position from the previous year, see Note 5.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$27,626,270, a decrease of \$516,560 (2%) in comparison with prior year.
- The General Fund's total fund balance decreased \$1,212,938 (6%) to \$18,539,929. The ending General fund balance is 14% of revenues and transfers in, and 14% of expenditures and transfers out.
- Total liabilities of the Town decreased \$9,535,784 to \$139,996,286 during the fiscal year. This change was mainly the result of increases in bond anticipation notes payable of \$3,004,846 and in the other post employment benefit (OPEB) liability of \$2,943,173 and decreases in bonds payable of \$3,249,824 and in the net pension liability of \$14,946,039.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$7,649,490. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$2,781,800, excess over budget state and local receipts of \$2,411,400 and prior year unappropriated free cash of \$2,333,800.

### 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		
	2018	2017	Change
<b>Assets:</b>			
Current assets	\$ 54,839,043	\$ 51,432,849	\$ 3,406,194
Noncurrent assets (excluding capital)	8,082,057	10,416,078	(2,334,021)
Capital assets	167,484,242	163,090,509	4,393,733
<b>Total assets</b>	<b>230,405,342</b>	<b>224,939,436</b>	<b>5,465,906</b>
<b>Total Deferred Outflows of Resources</b>	<b>4,961,071</b>	<b>7,058,462</b>	<b>(2,097,391)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	11,111,923	10,385,924	725,999
Current debt	16,968,945	13,959,099	3,009,846
Noncurrent liabilities (excluding debt)	53,393,082	62,709,001	(9,315,919)
Noncurrent debt	44,065,518	46,615,617	(2,550,099)
<b>Total liabilities</b>	<b>125,539,468</b>	<b>133,669,641</b>	<b>(8,130,173)</b>
<b>Total Deferred Inflows of Resources</b>	<b>7,541,044</b>	<b>2,924,777</b>	<b>4,616,267</b>
<b>Net Position:</b>			
Net investment in capital assets	116,605,570	114,947,800	1,657,770
Restricted	20,500,429	19,253,101	1,247,328
Unrestricted	(34,820,098)	(38,797,421)	3,977,323
<b>Total net position</b>	<b>\$ 102,285,901</b>	<b>\$ 95,403,480</b>	<b>\$ 6,882,421</b>

	Business-Type Activities		
	2018	2017	Change
<b>Assets:</b>			
Current assets	\$ 55,840,552	\$ 50,250,636	\$ 5,589,916
Noncurrent assets (excluding capital assets)	13,581,903	13,955,478	(373,575)
Capital assets	61,275,781	60,821,564	454,217
<b>Total assets</b>	<b>130,698,236</b>	<b>125,027,678</b>	<b>5,670,558</b>
<b>Total Deferred Outflows of Resources</b>	<b>920,911</b>	<b>1,462,161</b>	<b>(541,250)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	3,828,595	3,269,742	558,853
Current debt	534,964	635,605	(100,641)
Noncurrent liabilities (excluding debt)	1,388,856	2,717,714	(1,328,858)
Noncurrent debt	8,704,403	9,239,368	(534,965)
<b>Total liabilities</b>	<b>14,456,818</b>	<b>15,862,429</b>	<b>(1,405,611)</b>
<b>Total Deferred Inflows of Resources</b>	<b>6,029,257</b>	<b>6,976,702</b>	<b>(947,445)</b>
<b>Net Position:</b>			
Net investment in capital assets	52,036,414	50,946,591	1,089,823
Restricted	3,369,102	3,365,735	3,367
Unrestricted	55,727,556	49,338,382	6,389,174
<b>Total net position</b>	<b>\$ 111,133,072</b>	<b>\$ 103,650,708</b>	<b>\$ 7,482,364</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2018	2017	Change
<b>Program Revenues:</b>			
Charges for services	\$ 16,989,497	\$ 16,806,800	\$ 182,697
Operating grants and contributions	42,154,133	42,232,615	(78,482)
Capital grants and contributions	3,906,203	3,714,301	191,902
<b>General Revenues:</b>			
Property taxes	72,966,589	69,599,288	3,367,301
Motor vehicle excise and other taxes	6,151,608	5,864,136	287,472
Hotel room occupancy and meals taxes	654,403	568,724	85,679
Penalties and interest on taxes	317,263	306,818	10,445
Nonrestricted grants	3,003,504	3,702,779	(699,275)
Unrestricted investment income	259,010	103,866	155,144
Miscellaneous	3,112	433	2,679
<b>Total revenues</b>	<b>146,405,322</b>	<b>142,899,760</b>	<b>3,505,562</b>
<b>Expenses:</b>			
General government	7,556,278	7,370,546	185,732
Public safety	10,069,659	9,826,666	242,993
Public works (including water)	6,565,513	7,417,389	(851,876)
Education	78,608,443	76,500,860	2,107,583
Health and human services	996,925	923,898	73,027
Culture and recreation	3,373,684	2,819,227	554,457
Employee benefits and insurance	29,480,175	33,447,074	(3,966,899)
State assessments	1,024,078	1,183,350	(159,272)
Interest	1,928,964	2,175,581	(246,617)
<b>Total expenses</b>	<b>139,603,719</b>	<b>141,664,591</b>	<b>(2,060,872)</b>
<b>Transfers</b>	<b>80,818</b>	<b>62,222</b>	<b>18,596</b>
<b>Change in net position</b>	<b>6,882,421</b>	<b>1,297,391</b>	<b>5,585,030</b>
<b>Net position - beginning of year</b>	<b>95,403,480</b>	<b>94,106,089</b>	<b>1,297,391</b>
<b>Net position - end of year</b>	<b>\$ 102,285,901</b>	<b>\$ 95,403,480</b>	<b>\$ 6,882,421</b>

	<b>Business-Type Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 59,053,795	\$ 61,495,209	\$ (2,441,414)
Operating grants and contributions	209,206	40,692	168,514
<b>Total revenues</b>	<b>59,263,001</b>	<b>61,535,901</b>	<b>(2,272,900)</b>
<b>Expenses:</b>			
Sewer	6,435,660	6,285,323	150,337
Solid waste	1,801,411	1,739,577	61,834
Electric light	27,532,426	29,360,192	(1,827,766)
Community Cablevision	15,487,117	14,923,255	563,862
<b>Total expenses</b>	<b>51,256,614</b>	<b>52,308,347</b>	<b>(1,051,733)</b>
<b>Transfers</b>	<b>(524,023)</b>	<b>(65,595)</b>	<b>(458,428)</b>
<b>Change in net position</b>	<b>7,482,364</b>	<b>9,161,959</b>	<b>(1,679,595)</b>
<b>Net position - beginning of year</b>	<b>103,650,708</b>	<b>94,488,749</b>	<b>9,161,959</b>
<b>Net position - end of year</b>	<b>\$ 111,133,072</b>	<b>\$ 103,650,708</b>	<b>\$ 7,482,364</b>

### 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 \$213,418,973 at the close of fiscal year 2018.

Net position of \$168,641,984 (79%) 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 \$23,869,531 (11%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$20,907,458 (10%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two of the three categories of net position for its governmental activities, business-type activities and the government as a whole. The unrestricted governmental activities, business-type activities and the government as a whole 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.

The governmental activities net position increased by \$6,882,421 (7%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2018 are attributed to increases as a result of the acquisition of \$12,922,556 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$8,528,823, the net change in debt of \$2,614,218, in recognizing the change in the deferred outflows/(inflows) of resources related to OPEB of \$1,775,520 and in the net pension liability of \$13,754,378; and decreases in recognizing this year's OPEB obligation of \$4,262,377 and in the deferred outflows/(inflows) of resources related to pensions of \$8,603,914.

There was an increase of \$7,482,364 (7%) in net position reported in the business-type activities. Of this, there were increases in the sewer fund of \$1,184,663, in the solid waste fund of \$36,808, in the electric light fund of \$2,227,876 and in the cable operations fund of \$4,033,017.

### **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 \$27,626,270, a decrease of \$516,560 (2%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Restricted fund balance – \$17,046,454 (62%).
- Committed fund balance – \$2,163,579 (8%).
- Assigned fund balance – \$7,840,688 (28%).
- Unassigned fund balance – \$575,549 (2%).

### **Major Governmental Funds**

At the end of the fiscal year, the General Fund reported a total fund balance of \$18,539,929, decreasing \$1,212,938 (6%) from the prior year. Of the \$18,539,929, the unassigned amount is \$10,039,203 (54%), the assigned amount is \$7,840,688 (42%) and the restricted amount is \$660,038 (4%). General fund revenues were \$3,850,123 (3%) more than the prior fiscal year and expenditures also increased by \$2,015,946 (2%). Other activities in the General Fund are net transfers out to other funds of \$1,656,423.

The main components of the increase in general fund revenues from the prior year are related to increases in property taxes in the amount of \$3,515,921 (5%) and in charges for services of \$559,909 (9%).

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

- Decrease in Public works (including water) expenditures of \$1,384,066 (19%).
- Increase in Education expenditures of \$2,249,653 (4%).
- Increase in Employee benefits and insurance expenditures of \$1,453,847 (5%).

The *New Water Treatment Facility Fund* is used to account for financial resources for the building of a new water treatment plant. The fund has a deficit balance of \$8,553,845, all during the fiscal year. The Town has a temporary bond anticipation note outstanding from the Massachusetts Clean Water Trust of \$8,553,846. The activity in the fund consisted of expenditures of \$8,553,845.

## 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 has accumulated a balance of \$36,374,744 and shows an increase of \$1,184,663 (3%) in total operations. This change is mainly attributed to operating revenues exceeding current operating costs by \$1,194,162, intergovernmental revenues of \$8,044, interest expense of \$86,427 and net transfers in from the governmental funds of \$68,884. Operating revenues decreased by \$1,391,622 (16%) while operating expenses decreased by \$172,569 (3%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the Town's solid waste operations. The solid waste fund has accumulated a balance of \$205,566 and shows an increase of \$36,808 (22%) attributed to operational expenditures exceeding operating revenues by \$851,059 and transfers in from the general fund for \$887,867. Operating revenues increased by \$68,869 (8%) and operating expenses also increased by \$61,834 (4%) 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, 2017 shows an increase of \$2,227,876, attributed to operating revenues exceeding operating expenses by \$2,428,614, investment income of \$16,256, intergovernmental and other revenue of \$184,906, interest expense of \$160,964 and transfers to the general fund of \$240,936. The Electric Light fund 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, 2017 shows an increase of \$4,033,017, attributed to operating revenue exceeding operating expenses of \$5,460,974, a loss on the sale/disposal of equipment of \$188,119 and transfers to the general fund of \$1,239,838. The Cable Operations fund 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 2018 was \$122,069,979. This is an increase of \$1,908,134 (2%) over the previous year's budget.

There was a decrease 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 May 2018.

General fund expenditures were less than budgeted by \$7,474,905. Of the \$7,474,905 in under budget expenditures, \$4,693,066 has been carried over to fiscal year 2019.

There was a negative variance in state assessments of \$21,662 due to a lower assessment in the school choice sending tuitions of \$85,523 and higher assessments in charter school sending tuitions of \$62,501 and in special education of \$1,360 than the actual payments.

The variance with the final budget was a positive \$5,888,815 consisting of a revenue surplus of \$3,106,976 and an appropriation surplus of \$2,781,839.

## 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, 2018, (December 31, 2017 for the electric light fund and the cable operations fund) amounts to \$167,484,242 and \$61,275,781, 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:

- Town Hall improvements for \$50,457.
- Police vehicles and equipment purchases for \$145,751.
- Fire Department rescue boat purchase for \$34,183.
- Highway garage improvements for \$29,985.
- Highway Salt Shed improvements for \$25,650.
- Department of public works vehicles and equipment purchases for \$285,857.
- Road and Water infrastructure improvements for \$2,037,691.
- Water Treatment Plant Facility construction for \$9,040,427.
- Schools' improvements for \$985,701.
- Spring Street School parking lot improvements for \$256,726.
- Parks vehicle purchase for \$30,128.

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

In the Sewer Fund:

- Sewer infrastructure improvements for \$843,039.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2018, totaled \$50,380,617. The primary debt is school debt of \$31,961,000, land acquisition debt of \$5,195,000, building improvements and renovations of \$12,824,000, water improvements for \$330,000 and septic Title V debt of \$70,617.

The business-type funds have \$9,239,367 consisting of sewer activity debt of \$4,139,367 and electric light activity debt of \$5,100,000 (at December 31, 2017).

The Town also has bond anticipation notes outstanding as of June 30, 2018 in the amount of \$10,653,846 for governmental activities of \$1,200,000 for school renovations and of \$9,453,846 for the new water treatment plant designs and construction.

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, 2018 do not reflect the fiscal year 2019 Town Meeting action except for the free cash and continuing appropriations amounts.

The Annual Town Meeting on May 21, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

From the tax levy		\$ 115,580,663
From community cablevision fund		800,000
From electric light fund		682,169
From sewer fund		13,883,980
From solid waste receipts	\$ 878,500	
From solid waste retained earnings	<u>45,000</u>	923,500
From Other Available Funds:		
<b>General Fund:</b>		
Unassigned fund balance:		
Free cash	\$ 3,147,622	
Continuing appropriations	<u>880,176</u>	4,027,798
<b>Non-major Governmental Funds:</b>		
Cemetery sale of lots	18,000	
Cemetery Stabilization Fund	10,000	
Infiltration and inflow fund	1,000,000	
Septic loan repayment fund	15,100	
Water systems improvements	1,007,507	
Water conservation gift fund	<u>50,000</u>	2,100,607
		<u>\$ 137,998,717</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, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 15,781,655	\$ 33,655,797	\$ 49,437,452
Investments	31,599,276	13,975,880	45,575,156
Receivables, net of allowance for uncollectibles:			
Property Taxes	726,726	-	726,726
Tax Liens	227,254	-	227,254
Excise Taxes	664,968	-	664,968
User Charges	525,085	5,032,107	5,557,192
Departmental	56,900	-	56,900
Other	-	877,223	877,223
Special Assessments	7,938	69,312	77,250
Due from Other Governments	5,249,241	-	5,249,241
Loan Receivable	-	60,399	60,399
Materials and Supplies	-	548,587	548,587
Purchased Power Working Capital	-	1,393,441	1,393,441
Prepaid Expenses	-	227,806	227,806
Total current assets	<u>54,839,043</u>	<u>55,840,552</u>	<u>110,679,595</u>
<b>NONCURRENT:</b>			
Restricted Cash and Investments	-	12,753,811	12,753,811
Receivables, net of allowance for uncollectibles:			
Special Assessments	205,659	327,133	532,792
Due from Other Governments	7,876,398	-	7,876,398
Loan Receivable	-	99,643	99,643
Other	-	401,316	401,316
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	25,249,626	1,267,072	26,516,698
Depreciable	142,234,616	60,008,709	202,243,325
Total noncurrent assets	<u>175,566,299</u>	<u>74,857,684</u>	<u>250,423,983</u>
<b>Total Assets</b>	<u>230,405,342</u>	<u>130,698,236</u>	<u>361,103,578</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	195,385	-	195,385
Deferred Outflows Related to Pensions	2,944,549	910,825	3,855,374
Deferred Outflows Related to OPEB	1,821,137	10,086	1,831,223
<b>Total Deferred Outflows of Resources</b>	<u>\$ 4,961,071</u>	<u>\$ 920,911</u>	<u>\$ 5,881,982</u>

(Continued)

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	\$ 2,198,395	\$ 3,722,407	\$ 5,920,802
Accrued Payroll	5,592,174	14,431	5,606,605
Payroll Withholdings	946,804	-	946,804
Tax Refund Payable	621,000	-	621,000
Accrued Interest	814,012	37,518	851,530
Other	536,411	51,948	588,359
Compensated Absences	403,127	2,291	405,418
Bond Anticipation Notes Payable	10,653,846	-	10,653,846
Bonds Payable	6,315,099	534,964	6,850,063
Total current liabilities	<u>28,080,868</u>	<u>4,363,559</u>	<u>32,444,427</u>
<b>NONCURRENT:</b>			
Other	-	155,145	155,145
Compensated Absences	2,304,284	6,873	2,311,157
Net OPEB Liability	47,361,696	268,814	47,630,510
Net Pension Liability	3,727,102	958,024	4,685,126
Bonds Payable	44,065,518	8,704,403	52,769,921
Total noncurrent liabilities	<u>97,458,600</u>	<u>10,093,259</u>	<u>107,551,859</u>
<b>Total Liabilities</b>	<u>125,539,468</u>	<u>14,456,818</u>	<u>139,996,286</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate Stabilization Reserve	-	4,153,103	4,153,103
Contribution in Aid of Construction	-	544,757	544,757
Deferred Gain on Refunding	355,007	-	355,007
Deferred Inflows Related to Pensions	7,186,037	1,331,397	8,517,434
<b>Total Deferred Inflows of Resources</b>	<u>7,541,044</u>	<u>6,029,257</u>	<u>13,570,301</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	116,605,570	52,036,414	168,641,984
Restricted for:			
Capital Projects	1,755,308	-	1,755,308
Federal & State Grants	5,382,710	-	5,382,710
Permanent Funds	2,150,502	-	2,150,502
Other Purposes	11,211,909	-	11,211,909
Depreciation	-	3,369,102	3,369,102
Unrestricted	(34,820,098)	55,727,556	20,907,458
<b>Total Net Position</b>	<u>\$ 102,285,901</u>	<u>\$ 111,133,072</u>	<u>\$ 213,418,973</u>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<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>
<b>Governmental Activities:</b>							
General Government	\$ 7,556,278	\$ 622,100	\$ 469,264	\$ -	\$ (6,464,914)	\$ -	\$ (6,464,914)
Public Safety	10,069,659	1,532,026	194,868	-	(8,342,765)	-	(8,342,765)
Public Works (including Water)	6,565,513	4,702,297	89,810	980,916	(792,490)	-	(792,490)
Education	78,608,443	6,927,991	26,259,560	2,489,123	(42,931,769)	-	(42,931,769)
Health and Human Services	996,925	2,751,682	255,883	-	2,010,640	-	2,010,640
Culture and Recreation	3,373,684	453,401	152,269	436,164	(2,331,850)	-	(2,331,850)
Employee Benefits and Insurance	29,480,175	-	14,311,220	-	(15,168,955)	-	(15,168,955)
State Assessments	1,024,078	-	-	-	(1,024,078)	-	(1,024,078)
Interest	1,928,964	-	421,259	-	(1,507,705)	-	(1,507,705)
<b>Total Governmental Activities</b>	<b>139,603,719</b>	<b>16,989,497</b>	<b>42,154,133</b>	<b>3,906,203</b>	<b>(76,553,886)</b>	<b>-</b>	<b>(76,553,886)</b>
<b>Business-Type Activities:</b>							
Sewer	6,435,660	7,543,395	8,044	-	-	1,115,779	1,115,779
Solid Waste	1,801,411	950,352	-	-	-	(851,059)	(851,059)
Electric Light	27,532,426	29,800,076	201,162	-	-	2,468,812	2,468,812
Community Cablevision	15,487,117	20,759,972	-	-	-	5,272,855	5,272,855
<b>Total Primary Government</b>	<b>\$ 190,860,333</b>	<b>\$ 76,043,292</b>	<b>\$ 42,363,339</b>	<b>\$ 3,906,203</b>	<b>(76,553,886)</b>	<b>8,006,387</b>	<b>(68,547,499)</b>
<b>General Revenues:</b>							
Property Taxes					72,966,589	-	72,966,589
Motor vehicle and other taxes					6,151,608	-	6,151,608
Hotel Room Occupancy and Meal Taxes					654,403	-	654,403
Penalties & Interest on Taxes					317,263	-	317,263
Grants & Contributions not restricted to specific programs					3,003,504	-	3,003,504
Unrestricted Investment Income					259,010	-	259,010
Miscellaneous					3,112	-	3,112
<b>Transfers, net</b>					<b>80,818</b>	<b>(524,023)</b>	<b>(443,205)</b>
<b>Total General Revenues and Transfers</b>					<b>83,436,307</b>	<b>(524,023)</b>	<b>82,912,284</b>
<b>Change in Net Position</b>					<b>6,882,421</b>	<b>7,482,364</b>	<b>14,364,785</b>
<b>Net Position:</b>							
Beginning of year (as restated)					95,403,480	103,650,708	199,054,188
End of year					<b>\$ 102,285,901</b>	<b>\$ 111,133,072</b>	<b>\$ 213,418,973</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	New Water Treatment Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,155,101	\$ 1	\$ 4,626,553	\$ 15,781,655
Investments	16,652,253	-	14,947,023	31,599,276
Receivables, net of allowance for uncollectibles:				
Property Taxes	726,726	-	-	726,726
Tax Liens	227,254	-	-	227,254
Excise Taxes	664,968	-	-	664,968
User Charges	525,085	-	-	525,085
Departmental	46	-	56,854	56,900
Special Assessments	178,731	-	34,866	213,597
Due from Other Governments	10,447,607	-	2,678,032	13,125,639
<b>Total Assets</b>	<b>\$ 40,577,771</b>	<b>\$ 1</b>	<b>\$ 22,343,328</b>	<b>\$ 62,921,100</b>
<b>Liabilities:</b>				
Warrants Payable	\$ 2,106,890	\$ -	\$ 91,505	\$ 2,198,395
Accrued Payroll	5,344,320	-	247,854	5,592,174
Payroll Withholdings	946,804	-	-	946,804
Tax Refund Payable	621,000	-	-	621,000
Other	536,411	-	-	536,411
Bond Anticipation Notes Payable	-	8,553,846	2,100,000	10,653,846
<b>Total Liabilities</b>	<b>9,555,425</b>	<b>8,553,846</b>	<b>2,439,359</b>	<b>20,548,630</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	12,482,417	-	2,263,783	14,746,200
<b>Fund Balance:</b>				
Restricted	660,038	-	16,386,416	17,046,454
Committed	-	-	2,163,579	2,163,579
Assigned	7,840,688	-	-	7,840,688
Unassigned	10,039,203	(8,553,845)	(909,809)	575,549
<b>Total Fund Balance</b>	<b>18,539,929</b>	<b>(8,553,845)</b>	<b>17,640,186</b>	<b>27,626,270</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 40,577,771</b>	<b>\$ 1</b>	<b>\$ 22,343,328</b>	<b>\$ 62,921,100</b>

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, 2018**

	General Fund	New Water Treatment Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 73,282,581	\$ -	\$ -	\$ 73,282,581
Intergovernmental	26,143,352	-	8,282,317	34,425,669
Excise and Other Taxes	6,518,412	-	-	6,518,412
Charges for Service	6,632,721	-	8,559,548	15,192,269
Licenses, Permits, and Fees	1,885,220	-	-	1,885,220
Interest on Taxes	317,263	-	-	317,263
Investment Income	259,010	-	18,499	277,509
Intergovernmental - "On-behalf" Payments	14,123,783	-	-	14,123,783
Gifts and Donations	-	-	2,103,102	2,103,102
Other	-	-	324,856	324,856
<b>Total Revenues</b>	<b>129,162,342</b>	<b>-</b>	<b>19,288,322</b>	<b>148,450,664</b>
<b>Expenditures:</b>				
Current:				
General Government	7,280,431	-	269,850	7,550,281
Public Safety	8,949,943	-	782,268	9,732,211
Public Works (including Water)	5,972,103	8,553,845	1,666,714	16,192,662
Education	62,473,425	-	12,228,109	74,701,534
Health and Human Services	742,403	-	176,812	919,215
Culture and Recreation	1,848,185	-	521,587	2,369,772
Employee Benefits and Insurance	31,954,446	-	-	31,954,446
State Assessments	1,024,078	-	-	1,024,078
Debt Service:				
Principal	6,310,099	-	-	6,310,099
Interest	2,163,744	-	-	2,163,744
<b>Total Expenditures</b>	<b>128,718,857</b>	<b>8,553,845</b>	<b>15,645,340</b>	<b>152,918,042</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>443,485</b>	<b>(8,553,845)</b>	<b>3,642,982</b>	<b>(4,467,378)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	1,465,049	-	2,213,489	3,678,538
Operating Transfers Out	(3,121,472)	-	(476,248)	(3,597,720)
Proceeds from Issuance of Bonds	-	-	3,765,000	3,765,000
Premium on Bonds and Notes	-	-	105,000	105,000
<b>Total Other Financing Sources (Uses)</b>	<b>(1,656,423)</b>	<b>-</b>	<b>5,607,241</b>	<b>3,950,818</b>
<b>Net Change in Fund Balances</b>	<b>(1,212,938)</b>	<b>(8,553,845)</b>	<b>9,250,223</b>	<b>(516,560)</b>
<b>Fund Balances, Beginning of Year</b>	<b>19,752,867</b>	<b>-</b>	<b>8,389,963</b>	<b>28,142,830</b>
<b>Fund Balances, End of Year</b>	<b>\$ 18,539,929</b>	<b>\$ (8,553,845)</b>	<b>\$ 17,640,186</b>	<b>\$ 27,626,270</b>

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, 2018**

<b>Total Governmental Fund Balances</b>	\$	27,626,270
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		167,484,242
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		14,746,200
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		(2,579,973)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (50,380,617)	
Other Post Employment Benefits Payable	(47,361,696)	
Net Pension Liability	(3,727,102)	
Compensated Absences	<u>(2,707,411)</u>	(104,176,826)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(814,012)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>102,285,901</u></b>

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, 2018**

**Net Change in Fund Balances - Total Governmental Funds** \$ (516,560)

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

Capital Outlay Purchases	\$ 12,922,556	
Depreciation	<u>(8,528,823)</u>	4,393,733

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. (2,339,678)

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	6,310,099	
Proceeds from Bonds	(3,765,000)	
Amortization of Net Gain/Loss on Refunding	<u>69,119</u>	2,614,218

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	(98,560)	
Net Change in Net OPEB Liability	(4,262,377)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	1,775,520	
Net Change in Net Pension Liability	13,754,378	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(8,603,914)	
Net Change in Accrued Interest on Long-Term Debt	<u>165,661</u>	2,730,708

**Change in Net Position of Governmental Activities** \$ 6,882,421

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, 2018**

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Actual			
	Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 73,156,720	\$ 73,179,958	\$ 73,875,581	\$ -	\$ 695,623
Intergovernmental	-	26,080,921	26,080,921	26,143,352	-	62,431
Excise and Other Taxes	-	6,367,200	6,367,200	6,518,412	-	151,212
Charges for Service	-	4,818,000	4,818,000	6,632,721	-	1,814,721
Licenses, Permits, and Fees	-	1,860,000	1,860,000	1,885,220	-	25,220
Interest on Taxes	-	200,000	200,000	317,263	-	117,263
Interest on Investments	-	375,000	375,000	615,506	-	240,506
<b>Total Revenues</b>	-	112,857,841	112,881,079	115,988,055	-	3,106,976
<b>Expenditures:</b>						
Current:						
General Government	993,306	8,043,781	8,776,914	7,280,431	747,065	749,418
Public Safety	39,642	9,024,035	9,230,646	8,949,943	79,382	201,321
Public Works (including Water)	4,023,501	6,738,542	10,790,969	5,972,103	3,327,515	1,491,351
Education	423,900	62,375,000	62,798,900	62,473,425	325,475	-
Health and Human Services	8,368	822,073	841,618	742,403	34,758	64,457
Culture and Recreation	107,529	1,969,775	2,116,169	1,848,185	178,871	89,113
Employee Benefits and Insurance	-	18,033,124	18,033,124	17,832,562	-	200,562
State Assessments	-	1,002,416	1,002,416	1,024,078	-	(21,662)
Debt Service:						
Principal	-	6,310,101	6,310,101	6,310,099	-	2
Interest	-	2,166,764	2,169,122	2,161,845	-	7,277
<b>Total Expenditures</b>	5,596,246	116,485,611	122,069,979	114,595,074	4,693,066	2,781,839
<b>Excess of Revenues Over (Under) Expenditures</b>	(5,596,246)	(3,627,770)	(9,188,900)	1,392,981	(4,693,066)	5,888,815
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	1,465,002	1,465,002	1,465,049	-	47
Operating Transfers Out	-	(1,845,356)	(3,121,473)	(3,121,473)	-	-
<b>Total Other Financing Sources (Uses)</b>	-	(380,354)	(1,656,471)	(1,656,424)	-	47
<b>Net Change in Budgetary Fund Balance</b>	(5,596,246)	(4,008,124)	(10,845,371)	\$ (263,443)	\$ (4,693,066)	\$ 5,888,862
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	4,008,124	5,249,125			
Prior Year Encumbrances	5,596,246	-	5,596,246			
<b>Total Other Budgetary Items</b>	5,596,246	4,008,124	10,845,371			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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, 2018**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 115,988,055	\$ 114,595,074
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	2,586	-
Net Decrease in Revenue from recording Refund Taxes Payable	(569,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	14,123,783	-
Recognition of Expenditures - "on behalf payments"	-	14,123,783
Net Change in Fair Value of Investments	(359,082)	-
Net Decrease in Revenue from Recording 60-Day Receipts	(24,000)	-
<b>Reported on a GAAP Basis</b>	<b>\$ 129,162,342</b>	<b>\$ 128,718,857</b>

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, 2018**

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light	Cable Operations	Total
			Fund (as of December 31, 2017)	Fund (as of December 31, 2017)	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and Cash Equivalents	\$ 10,660,224	\$ 172,247	\$ 5,665,821	\$ 17,157,505	\$ 33,655,797
Investments	13,975,880	-	-	-	13,975,880
User Charges, net of allowance	947,690	75,600	2,497,960	1,510,857	5,032,107
Other Receivables	-	-	836,950	40,273	877,223
Special Assessments	69,312	-	-	-	69,312
Materials and Supplies	-	-	133,409	415,178	548,587
Loan Receivable	-	-	60,399	-	60,399
Purchased Power Working Capital	-	-	1,393,441	-	1,393,441
Prepaid Expenses	-	-	138,996	88,810	227,806
Total current assets	<u>25,653,106</u>	<u>247,847</u>	<u>10,726,976</u>	<u>19,212,623</u>	<u>55,840,552</u>
<b>NONCURRENT:</b>					
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,369,102	-	3,369,102
Rate Stabilization Reserve Fund	-	-	4,153,103	-	4,153,103
Investment in Other Companies	-	-	61,521	-	61,521
Construction Fund	-	-	3,670,085	-	3,670,085
Power Cost Adjustment Fund	-	-	1,500,000	-	1,500,000
Special Assessments Receivable	327,133	-	-	-	327,133
Loan Receivable	-	-	99,643	-	99,643
Other	-	-	401,316	-	401,316
Capital Assets, net of accumulated depreciation:					
Nondepreciable	843,039	-	180,355	243,678	1,267,072
Depreciable	14,017,943	-	30,496,607	15,494,159	60,008,709
Total noncurrent assets	<u>15,188,115</u>	<u>-</u>	<u>43,931,732</u>	<u>15,737,837</u>	<u>74,857,684</u>
<b>Total Assets</b>	<u>\$ 40,841,221</u>	<u>\$ 247,847</u>	<u>\$ 54,658,708</u>	<u>\$ 34,950,460</u>	<u>\$ 130,698,236</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows Related to Pensions	19,698	-	477,573	413,554	910,825
Deferred Outflows Related to OPEB	10,086	-	-	-	10,086
<b>Total Deferred Outflows of Resources</b>	<u>\$ 29,784</u>	<u>\$ -</u>	<u>\$ 477,573</u>	<u>\$ 413,554</u>	<u>\$ 920,911</u>

(Continued)

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2018**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2017)	Cable Operations Fund (as of December 31, 2017)	
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Accounts Payable	\$ 99,716	\$ 42,281	\$ 2,448,014	\$ 1,132,396	\$ 3,722,407
Accrued Payroll	14,431	-	-	-	14,431
Accrued Interest	37,518	-	-	-	37,518
Other	-	-	-	51,948	51,948
Compensated Absences	2,291	-	-	-	2,291
Bonds Payable	234,964	-	300,000	-	534,964
Total current liabilities	388,920	42,281	2,748,014	1,184,344	4,363,559
<b>NONCURRENT:</b>					
Other	-	-	111,855	43,290	155,145
Compensated Absences	6,873	-	-	-	6,873
Net OPEB Liability	123,060	-	-	145,754	268,814
Net Pension Liability	24,933	-	369,825	563,266	958,024
Bonds Payable	3,904,403	-	4,800,000	-	8,704,403
Total noncurrent liabilities	4,059,269	-	5,281,680	752,310	10,093,259
<b>Total Liabilities</b>	<b>4,448,189</b>	<b>42,281</b>	<b>8,029,694</b>	<b>1,936,654</b>	<b>14,456,818</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Rate Stabilization Reserve	-	-	4,153,103	-	4,153,103
Contribution in Aid of Construction	-	-	544,757	-	544,757
Deferred Inflows Related to Pensions	48,072	-	1,120,889	162,436	1,331,397
<b>Total Deferred Inflows of Resources</b>	<b>48,072</b>	<b>-</b>	<b>5,818,749</b>	<b>162,436</b>	<b>6,029,257</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	10,721,615	-	25,576,962	15,737,837	52,036,414
Restricted for Depreciation	-	-	3,369,102	-	3,369,102
Unrestricted	25,653,129	205,566	12,341,774	17,527,087	55,727,556
<b>Total Net Position</b>	<b>\$ 36,374,744</b>	<b>\$ 205,566</b>	<b>\$ 41,287,838</b>	<b>\$ 33,264,924</b>	<b>\$ 111,133,072</b>

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, 2018**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2017)	Cable Operations Fund (as of December 31, 2017)	
<b>Operating Revenues:</b>					
Charges for Services	\$ 7,510,078	\$ 950,352	\$ 29,558,655	\$ 19,885,090	\$ 57,904,175
Other	33,317	-	241,421	874,882	1,149,620
<b>Total Operating Revenues</b>	<b>7,543,395</b>	<b>950,352</b>	<b>29,800,076</b>	<b>20,759,972</b>	<b>59,053,795</b>
<b>Operating Expenses:</b>					
Salaries & Wages	423,530	-	-	-	423,530
Operating Expenses	5,099,505	1,801,411	23,819,797	12,571,346	43,292,059
Maintenance Expenses	-	-	1,541,934	581,614	2,123,548
Depreciation	826,198	-	2,009,731	2,146,038	4,981,967
<b>Total Operating Expenses</b>	<b>6,349,233</b>	<b>1,801,411</b>	<b>27,371,462</b>	<b>15,298,998</b>	<b>50,821,104</b>
<b>Operating Income (Loss)</b>	<b>1,194,162</b>	<b>(851,059)</b>	<b>2,428,614</b>	<b>5,460,974</b>	<b>8,232,691</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	-	-	16,256	-	16,256
Intergovernmental	8,044	-	172,509	-	180,553
Gain (Loss) on Sale/Disposal of Equipment	-	-	-	(188,119)	(188,119)
Other	-	-	12,397	-	12,397
Interest Expense	(86,427)	-	(160,964)	-	(247,391)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(78,383)</b>	<b>-</b>	<b>40,198</b>	<b>(188,119)</b>	<b>(226,304)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>1,115,779</b>	<b>(851,059)</b>	<b>2,468,812</b>	<b>5,272,855</b>	<b>8,006,387</b>
<b>Operating Transfers:</b>					
Transfer In	380,117	887,867	-	-	1,267,984
Transfers (Out)	(311,233)	-	(240,936)	(1,239,838)	(1,792,007)
<b>Total Operating Transfers</b>	<b>68,884</b>	<b>887,867</b>	<b>(240,936)</b>	<b>(1,239,838)</b>	<b>(524,023)</b>
<b>Change in Net Position</b>	<b>1,184,663</b>	<b>36,808</b>	<b>2,227,876</b>	<b>4,033,017</b>	<b>7,482,364</b>
<b>Net Position at Beginning of Year (as restated)</b>	<b>35,190,081</b>	<b>168,758</b>	<b>39,059,962</b>	<b>29,231,907</b>	<b>103,650,708</b>
<b>Net Position at End of Year</b>	<b>\$ 36,374,744</b>	<b>\$ 205,566</b>	<b>\$ 41,287,838</b>	<b>\$ 33,264,924</b>	<b>\$ 111,133,072</b>

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, 2018**

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2017)	Cable Operations Fund (as of December 31, 2017)	Total
<b>Cash Flows From Operating Activities:</b>					
Receipts from Customers and Users	\$ 7,540,984	\$ 940,452	\$ 29,578,871	\$ 20,567,956	\$ 58,628,263
Receipts from Other Revenues	33,317	-	-	-	33,317
Payments to Vendors and Employees	(5,555,601)	(1,799,847)	(25,050,668)	(13,357,022)	(45,763,138)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>2,018,700</b>	<b>(859,395)</b>	<b>4,528,203</b>	<b>7,210,934</b>	<b>12,898,442</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from (to) Other Funds	68,884	887,867	(240,936)	(1,239,838)	(524,023)
Due to SELCO - Electric	-	-	-	(22,820)	(22,820)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>68,884</b>	<b>887,867</b>	<b>(240,936)</b>	<b>(1,262,658)</b>	<b>(546,843)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Intergovernmental Revenues	8,044	-	-	-	8,044
Acquisition and Construction of Capital Assets	(843,039)	-	(2,474,854)	(2,138,504)	(5,456,397)
Contribution in Aid of Construction	-	-	395,921	-	395,921
Principal Payments on Bonds and Notes	(230,606)	-	(405,000)	-	(635,606)
Interest Expense	(88,501)	-	(167,058)	-	(255,559)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,154,102)</b>	<b>-</b>	<b>(2,650,991)</b>	<b>(2,138,504)</b>	<b>(5,943,597)</b>
<b>Cash Flows from Investing Activities:</b>					
Investment Income	-	-	12,890	-	12,890
Transfer to/from OPEB Trust	-	-	(9,500)	(57,876)	(67,376)
New England Hydro Capital Investment	-	-	(40,700)	-	(40,700)
Payments from (to) Customers for Energy Conservation Loans	-	-	4,755	-	4,755
Proceeds/(Purchase) of Investments	194,803	-	-	-	194,803
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>194,803</b>	<b>-</b>	<b>(32,555)</b>	<b>(57,876)</b>	<b>104,372</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,128,285</b>	<b>28,472</b>	<b>1,603,721</b>	<b>3,751,896</b>	<b>6,512,374</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>9,531,939</b>	<b>143,775</b>	<b>9,232,185</b>	<b>13,405,609</b>	<b>32,313,508</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 10,660,224</b>	<b>\$ 172,247</b>	<b>\$ 10,835,906</b>	<b>\$ 17,157,505</b>	<b>\$ 38,825,882</b>

(Continued)

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2017)	Cable Operations Fund (as of December 31, 2017)	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>					
<b>Operating Income (Loss)</b>	\$ 1,194,162	\$ (851,059)	\$ 2,428,614	\$ 5,460,974	8,232,691
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation	826,198	-	2,009,731	2,146,038	4,981,967
Amortization of Deferred Revenue	-	-	-	(51,948)	(51,948)
Deferred (Outflows)/Inflows of Resources Related to Pensions	62,964	-	237,883	51,163	352,010
Deferred (Outflows)/Inflows of Resources Related to OPEB	(10,086)	-	-	-	(10,086)
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable	42,157	1,564	532,157	13,913	589,791
Increase (Decrease) in Accrued Payroll	2,034	-	-	-	2,034
Increase (Decrease) in Compensated Absences	(7,935)	-	-	-	(7,935)
Decrease (Increase) in Purchased Power Working Capital	-	-	132,674	-	132,674
Increase (Decrease) in Net OPEB Liability	(8,018)	-	112,525	(570)	103,937
Increase (Decrease) in Net Pension Liability	(113,682)	-	(849,729)	(228,250)	(1,191,661)
Decrease (Increase) in Materials and Supplies	-	-	(12,199)	(38,190)	(50,389)
Decrease (Increase) in Prepaid Expenses	-	-	180,752	(2,128)	178,624
Decrease (Increase) in Other Accounts Receivable	-	-	51,983	6,087	58,070
Decrease (Increase) in Customer Accounts Receivable	30,906	(9,900)	(296,188)	(146,155)	(421,337)
<b>Total Adjustments</b>	<b>824,538</b>	<b>(8,336)</b>	<b>2,099,589</b>	<b>1,749,960</b>	<b>4,665,751</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 2,018,700</b>	<b>\$ (859,395)</b>	<b>\$ 4,528,203</b>	<b>\$ 7,210,934</b>	<b>\$ 12,898,442</b>

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, 2018**

	<b>SHREWSBURY</b>			
	<b>Employees Retirement System Pension Trust Fund</b>		<b>Other Post Employment Benefit Trust Fund</b>	
	<b>(as of December 31, 2017)</b>		<b>Private Purpose Trust Funds</b>	
			<b>Agency Funds</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$	190,217	\$	-
Investments		124,960,819	\$	-
Accrued Interest and Dividends		6		-
Accounts Receivable		25,197		-
<b>Total Assets</b>		<b>125,176,239</b>		<b>3,886,898</b>
<b>LIABILITIES</b>				
Due to Others		-		82,250
Due to Student Groups		-		297,894
Escrows and Deposits		-		1,421,040
<b>Total Liabilities</b>		<b>-</b>		<b>-</b>
<b>NET POSITION</b>				
Held in Trust for Pension Benefits and Other Purposes	\$	125,176,239	\$	3,886,898
			\$	417,962
			\$	-

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, 2018**

	<b>SHREWSBURY</b>		
	<b>Employees</b>		
	<b>Retirement</b>		
	<b>System Pension</b>	<b>Other</b>	<b>Private</b>
	<b>Trust Fund</b>	<b>Post Employment</b>	<b>Purpose</b>
	<b>(as of December</b>	<b>Benefit</b>	<b>Trust Funds</b>
	<b>31, 2017)</b>	<b>Trust Fund</b>	<b>Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employer	\$ 6,252,987	\$ 2,650,803	\$ -
Plan Members	2,373,374	-	-
Transfers/Reimbursements from Other Systems	494,911	-	-
Commonwealth of Massachusetts - COLA	47,215	-	-
Private Donations	-	-	40
Total Contributions	9,168,487	2,650,803	40
Investment Income:			
Interest & Dividends	2,996,723	162,382	10,381
Net Change in Fair Value of Investments	15,331,981	216,313	(9,277)
Total Investment Earnings	18,328,704	378,695	1,104
Less Investment Expense	(398,379)	-	-
Net Investment Earnings	17,930,325	378,695	1,104
<b>Total Additions</b>	27,098,812	3,029,498	1,144
<b>Deductions:</b>			
Benefit Payments to Plan Members and Beneficiaries	7,785,045	-	-
Refunds to Members	304,168	-	-
Transfers to Other Systems	476,079	-	-
Employee Benefits and Insurance	-	2,435,051	-
Educational Scholarships	-	-	11,826
General Expenses	142,308	-	-
<b>Total Deductions</b>	8,707,600	2,435,051	11,826
<b>Change in Net Position</b>	18,391,212	594,447	(10,682)
<b>Net Position at Beginning of Year</b>	106,785,027	3,292,451	428,644
<b>Net Position at End of Year</b>	\$ 125,176,239	\$ 3,886,898	\$ 417,962

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, 2018**

**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, 2018**

**B. Government-Wide and Fund Financial Statements**

**Government-wide financial statements**

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

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

**Fund financial statements**

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

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

**Major Fund Criteria**

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

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

*and*

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

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

Proprietary and fiduciary funds are reported by fund type.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 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 *new water treatment facility fund* is used to account for financial resources to construct a new water treatment plant.

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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

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

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent 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 assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**D. Cash and Cash Equivalents**

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

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

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

**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, 2017 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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 2018 on June 30, 2017 and September 30, 2017, that were due on August 1, 2017 and November 1, 2017 and actual bills on December 30, 2017, and March 30, 2018, that were due on February 1, 2018 and May 1, 2018, 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 2018 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2018	\$ 68,715,634
Add: Debt Exclusion	<u>5,004,387</u>
Maximum Allowable Levy	<u><u>\$ 73,720,021</u></u>

The total amount raised by taxation was \$73,634,372.

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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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, SELCO – Cable evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on its history of past write-offs and collections and current conditions.

**Departmental**

Departmental receivables consist of assessor's fees, administrative fees and off-duty details.

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

**Other Receivables (SELCO)**

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.

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

**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 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 (FIFO) 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**

SELCO – Electric made an advance deposit to Massachusetts Municipal Wholesale Electric Company (MMWEC). 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.

**I. Prepaid Expenses**

Prepaid expenses in the electric light fund consist predominately of prepayments on purchased power. Prepaid expenses in the cable operations 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.

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:

<b>Capital Asset Type</b>	<b>Years</b>
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. Management has determined that this method is not materially different than the estimated useful lives in accordance with GAAP. Massachusetts law stipulates that SELCO – Electric may exceed the 3 percent depreciation rate only with the approval of the Department of Public Utilities (DPU).



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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 Cable Plant. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**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 *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.
- The *rate stabilization 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, unusual price spikes in fuel prices and transmission cost increases. The rate stabilization fund balance at December 31, 2017 was \$4,153,103. 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 external investment pools. The total amount of these external investment pools as of December 31, 2017 was \$80,389,045, of which SELCO – Electric's ownership was approximately 5.17%.
- The *all requirements select energy termination trust fund* is used to account for SELCO – Electric participating 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. 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 was an irrevocable trust "All Requirements Select Energy Termination Trust" that was established to protect the funds from creditors of both MMWEC and participants. The funds were 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. During 2017, SELCO – Electric transferred the remaining balance of \$1,183,715 out of the fund to reduce purchased power costs. The balance at December 31, 2017 was \$0.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

- The *investments in associated companies fund* is used to hold funds of the electric light fund's equity requirements. Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), SELCO-Electric has funded its equity requirements for the Hydro-Quebec phase II interconnection. SELCO-Electric's ownership interest is less than one quarter of one percent in both projects. The securities are stated at cost. Fair Market value approximates the stated value. The balance at December 31, 2017 was \$61,521.

**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 three items in this category, *deferred loss on refunding*, *deferred outflows related to pensions and deferred outflows related to OPEB*, 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. The deferred outflows related to pensions for future pension expenses is explained in note 4D. The deferred outflows related to OPEB for future retiree health and life insurance expenses is explained in note 4E. 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 six types of items, *rate stabilization reserve*, *all requirements select energy termination trust*, *contribution in aid of construction*, *deferred gain on refunding*, *deferred inflows related to pensions and deferred inflows related to OPEB*, which qualify in this category. The rate stabilization reserve is the offset of the restricted cash described above. The 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 contribution in aid of construction represents non-refundable payments received from customers and developers for extension of electric services for assets owned and maintained by SELCO – Electric. The deferred gain is the difference between the carrying value of refunded debt and its reacquisition price. The deferred inflows related to pensions for future pension revenues is explained in note 4D. The deferred inflows related to OPEB for future retiree health and life insurance revenues is explained in note 4E. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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*, recorded in the government fund financial statements represents an acquisition of revenue that applies to future period(s) 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**  
**Year Ended June 30, 2018**

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, 2018**

**R. Post Retirement Benefits**

In addition to providing pension benefits, health and life 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 and life 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.

**T. Total Column**

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

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

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

For fiscal year 2018, the Town incurred a final budget deficit of \$10,845,371 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	\$ 4,416,639
Reserve for debt	750,000
Reserve for expenditures	82,486
Prior year's encumbrances	5,596,246
	\$ 10,845,371

**B. Deficit Fund Balances**

The following funds have deficits at June 30, 2018 as measured by the balance of unreserved fund balance:

- The *New Water Treatment Facility* capital project fund, a Major Fund, has a deficit of \$8,553,845. The Town has a temporary bond anticipation note outstanding through the Massachusetts Clean Water Trust of \$8,553,846 for this project. The deficit will be eliminated upon the future receipt of grant funds and upon the issuance of permanent debt.
- The *Beal School's early childhood center feasibility* capital project fund and Massachusetts School Building Administration (MSBA) project has a deficit of \$343,571. The Town has a temporary bond anticipation note outstanding of \$1.2 million for this project. The deficit will be eliminated upon the future receipt of grant funds or upon the issuance of permanent debt.
- The *Water Treatment Facility Design* capital project fund has a deficit of \$566,238. The Town has a temporary bond anticipation note outstanding of \$900,000 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 Town does not have a deposit policy for custodial credit risk. Deposits at June 30, 2018 were \$57,642,911. Of these deposits, \$9,099,521 are exposed to custodial credit risk as uninsured and uncollateralized.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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, 2017 were \$125,184. 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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT’s fair value is measured at amortized cost.

As of June 30, 2018, 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
<b>Debt Securities:</b>				
U. S. treasury obligations	\$ 8,356,407	\$ 6,234,542	\$ 2,121,865	\$ -
U. S. government agencies	19,692,931	-	19,692,931	-
Bond mutual funds	1,450,481	-	1,450,481	-
Corporate bonds	7,782,156	1,737,989	4,920,314	1,123,853
Money market mutual fund	2,493,452	2,493,452	-	-
	<u>39,775,427</u>	<u>\$ 10,465,983</u>	<u>\$ 28,185,591</u>	<u>\$ 1,123,853</u>
<b>Other Investments:</b>				
Certificates of deposits	4,621,733			
Equity mutual funds	2,416,795			
Equity securities - domestic	1,170,017			
MMDT	1,929,860			
	<u>\$ 49,913,832</u>			

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 \$49,913,832 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

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

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2018 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 8,356,407
<b><i>U. S. Government Agencies:</i></b>	
Aaa	19,692,931
<b><i>Corporate Bonds:</i></b>	
Aaa	990,660
Aa3	244,358
A2	675,196
A3	3,037,284
Baa1	1,361,580
Baa2	1,473,078
<b><i>Bond Mutual Funds:</i></b>	
Not rated	1,450,481
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	2,493,452
	\$ 39,775,427

**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 35.64% of the Town's total investments.

**Fair Value of Investments**

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
U. S. treasury obligations	\$ 8,356,407	\$ 8,356,407	\$ -	\$ -
U. S. government agencies	19,692,931	19,692,931	-	-
Certificates of deposit	4,621,733	4,621,733	-	-
Equity mutual funds	2,416,795	2,416,795	-	-
Equity securities - domestic	1,170,017	1,170,017	-	-
Money market mutual fund	2,493,452	2,493,452	-	-
Bond mutual funds	1,450,481	-	1,450,481	-
Corporate bonds	7,782,156	-	7,782,156	-
	<u>47,983,972</u>	<u>\$ 38,751,335</u>	<u>\$ 9,232,637</u>	<u>\$ -</u>
<b>Investments Measured at Amortized Cost:</b>				
External Investment Pools (MMDT)	<u>1,929,860</u>			
<b>Total Investments</b>	<u><u>\$ 49,913,832</u></u>			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**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 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

- 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, 2017, all the System's investments are in the Pension Reserve Investment Trust (PRIT).

As of December 31, 2017, the System investments of \$124,960,819 were invested in PRIT Fund. The PRIT Fund is a pooled investment fund created under the supervision of the Pension Reserves Investment Management (PRIM) Board. The PRIT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. PRIT's fair value is measured at amortized cost.

**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 \$124,960,819 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, 2017.

**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, 2018**

**B. Receivables**

At June 30, 2018, 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:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and non-major governmental funds:</b>			
Property taxes	\$ 751,163	\$ (24,437)	\$ 726,726
Tax liens	339,569	(112,315)	227,254
Excise taxes	1,179,501	(514,533)	664,968
User Charges	526,085	(1,000)	525,085
Departmental	56,900	-	56,900
Special assessments	213,597	-	213,597
Due from other governments	13,125,639	-	13,125,639
<b>Fiduciary funds:</b>			
<b><i>Shrewsbury Employees Retirement System (at December 31, 2017):</i></b>			
Accounts Receivable	25,197	-	25,197
	<u>\$ 16,217,651</u>	<u>\$ (652,285)</u>	<u>\$ 15,565,366</u>

At June 30, 2018 and (December 31, 2017 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer activities:</b>			
User charges	\$ 949,690	\$ (2,000)	\$ 947,690
Special assessments	396,445	-	396,445
	<u>1,346,135</u>	<u>(2,000)</u>	<u>1,344,135</u>
<b>Solid waste activities:</b>			
User charges	75,600	-	75,600
<b>Electric Light activities:</b>			
User charges	2,615,960	(118,000)	2,497,960
Other	836,950	-	836,950
Loan receivable	160,042	-	160,042
	<u>3,612,952</u>	<u>(118,000)</u>	<u>3,494,952</u>
<b>Cablevision activities:</b>			
User charges	1,660,857	(150,000)	1,510,857
Other	40,273	-	40,273
	<u>1,701,130</u>	<u>(150,000)</u>	<u>1,551,130</u>
	<u>\$ 6,735,817</u>	<u>\$ (270,000)</u>	<u>\$ 6,465,817</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The composition of other receivables in the electric light enterprise fund as of December 31, 2017 is as follows:

Due from Town departments	\$	578,059
Due from MMWEC		93,588
SELCO - Cable		124,736
Liens		24,323
Merchandise and jobbing receivable		14,097
Other		2,147
		\$ 836,950

The composition of other receivables in the cable enterprise fund as of December 31, 2017 is as follows:

Advertising receivables	\$	30,053
Other		10,220
		\$ 40,273

The composition of amounts due from other governments as of June 30, 2018 for governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

**Commonwealth of Massachusetts:**

Department of Veterans Services:

Veterans benefits \$ 132,194

Massachusetts School Building Authority

School Building Assistance - Capital portion 10,315,413 \$ 10,447,607

**Nonmajor Governmental Funds:**

**U. S. Department of Agriculture:**

School lunch 37,701

**U. S. Department of Education:**

School title grants 329,501

**Commonwealth of Massachusetts:**

Department of Elementary and Secondary Education:

School lunch 2,009

Department of Fire Services 5,615

Executive Office of Environmental Affairs 12,000

Massachusetts School Building Authority

School Building Assistance - Capital portion 119,143

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 2,172,063 2,678,032

\$ 13,125,639

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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*, *deferred outflows related to pensions* and *deferred outflows related to OPEB*. 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 \$195,385 and is amortized until fiscal year 2025. The governmental and business-type activity outflows as related to pensions and outflows as related to OPEB are explained in notes 4D and 4E.

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 as explained below. The governmental and business-type activities inflows as related to pensions and inflows as related to OPEB are explained in notes 4D and 4E.

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 \$355,007 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 \$4,153,103.

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 million 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 \$0.

The contribution in aid of construction current balance is \$544,757.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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	\$	436,308	
Tax liens		227,254	
Excise taxes		664,968	
User charges		525,085	
Departmental		46	
Special assessments		178,731	
Due from other governments		10,450,025	\$ 12,482,417

**Nonmajor governmental funds:**

Departmental		56,852	
Special assessments		34,866	
Due from other governments		2,172,065	2,263,783
		<u>\$ 14,746,200</u>	

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2018, follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 15,414,692	\$ -	\$ -	\$ 15,414,692
Construction in Progress	3,732,847	10,016,297	(3,914,210)	9,834,934
Total capital assets not being depreciated	19,147,539	10,016,297	(3,914,210)	25,249,626
Capital assets being depreciated:				
Buildings and Renovations	184,462,520	4,030,133	-	188,492,653
Machinery, equipment and other	8,693,845	495,919	(217,583)	8,972,181
Infrastructure	43,171,460	2,294,417	-	45,465,877
Total capital assets being depreciated	236,327,825	6,820,469	(217,583)	242,930,711
Less accumulated depreciation for:				
Buildings and Renovations	70,283,317	6,406,592	-	76,689,909
Machinery, equipment and other	6,830,389	560,909	(217,583)	7,173,715
Infrastructure	15,271,149	1,561,322	-	16,832,471
Total accumulated depreciation	92,384,855	8,528,823	(217,583)	100,696,095
Total capital assets being depreciated, net	143,942,970	(1,708,354)	-	142,234,616
Total governmental activities capital assets, net	<u>\$ 163,090,509</u>	<u>\$ 8,307,943</u>	<u>\$ (3,914,210)</u>	<u>\$ 167,484,242</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Business-type Activities**

**Sewer Activities**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ 843,039	\$ -	\$ 843,039
Total capital assets not being depreciated	-	843,039	-	843,039
Capital assets being depreciated:				
Machinery, equipment and other	519,920	-	(23,000)	496,920
Infrastructure	25,289,253	-	-	25,289,253
Total capital assets being depreciated	25,809,173	-	(23,000)	25,786,173
Less accumulated depreciation for:				
Machinery, equipment and other	463,661	17,136	(23,000)	457,797
Infrastructure	10,501,371	809,062	-	11,310,433
Total accumulated depreciation	10,965,032	826,198	(23,000)	11,768,230
Total capital assets being depreciated, net	14,844,141	(826,198)	-	14,017,943
Total business-type activities capital assets, net	\$ 14,844,141	\$ 16,841	\$ -	\$ 14,860,982

**Electric light activities**  
**(As of December 31, 2017)**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land and land rights	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in Progress	10,728	30,335	-	41,063
Total capital assets not being depreciated	150,020	30,335	-	180,355
Capital assets being depreciated:				
Electric utility plant	67,144,470	2,617,028	(181,438)	69,580,060
Total capital assets being depreciated	67,144,470	2,617,028	(181,438)	69,580,060
Less accumulated depreciation for:				
Electric utility plant	37,250,557	2,014,334	(181,438)	39,083,453
Total accumulated depreciation	37,250,557	2,014,334	(181,438)	39,083,453
Total capital assets being depreciated, net	29,893,913	602,694	-	30,496,607
Total business-type activities capital assets, net	\$ 30,043,933	\$ 633,029	\$ -	\$ 30,676,962

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Cablevision activities**

(As of December 31, 2017)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ 243,678	\$ -	\$ 243,678
Total capital assets not being depreciated	-	243,678	-	243,678
Capital assets being depreciated:				
Plant investment	\$ 34,411,075	\$ 1,894,826	\$ (804,608)	\$ 35,501,293
Total capital assets being depreciated	34,411,075	1,894,826	(804,608)	35,501,293
Less accumulated depreciation for:				
Plant investment	18,477,585	2,146,038	(616,489)	20,007,134
Total accumulated depreciation	18,477,585	2,146,038	(616,489)	20,007,134
Total capital assets being depreciated, net	15,933,490	(251,212)	(188,119)	15,494,159
Total business-type activities capital assets, net	\$ 15,933,490	\$ (7,534)	\$ (188,119)	\$ 15,737,837

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

**Governmental Activities:**

General government	\$ 56,149
Public safety	494,949
Public works	1,764,930
Education	5,119,755
Health and human services	71,290
Culture and recreation	1,021,750
Total depreciation expense - governmental activities	<u>\$ 8,528,823</u>

**Business-Type Activities:**

Sewer enterprise fund	\$ 826,198
Electric light enterprise fund	2,014,334
Cablevision enterprise fund	2,146,038
Total depreciation expense - business-type activities	<u>\$ 4,986,570</u>

**E. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2018, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 2,213,489	\$ 907,983	\$ 3,121,472
Nonmajor governmental funds	476,248	-	-	476,248
Business-type fund	988,801	-	-	988,801
Total transfers out	<u>\$ 1,465,049</u>	<u>\$ 2,213,489</u>	<u>\$ 907,983</u>	<u>\$ 4,586,521</u>



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The remaining \$443,205 amount shown on the Statement of Activities represents a transfer that took place when the year-end conversion occurred from a fiscal year June 30<sup>th</sup> end to a calendar year December 31<sup>st</sup> 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:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
<b>Bond Anticipation Notes:</b>						
Library building project	2.00%	7/28/2017	\$ 4,055,000	-	\$ 4,055,000	-
School remodeling	2.00%	7/28/2017	3,500,000	-	3,500,000	-
Water treatment facility designs	1.25%	7/28/2017	94,000	-	94,000	-
Library building project	1.25%	12/15/2017	-	465,000	465,000	-
Beal School remodeling	1.25%	7/19/2018	-	1,200,000	-	1,200,000
Water treatment facility designs	1.25%	7/19/2018	-	900,000	-	900,000
Water treatment facility project	0.00%	12/31/2018	-	8,553,846	-	8,553,846
<b>Total Governmental Activities</b>			<b>\$ 7,649,000</b>	<b>\$ 11,118,846</b>	<b>\$ 8,114,000</b>	<b>\$ 10,653,846</b>

**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, 2018**

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

	Rate	Issued	Date	Issued	June 30, 2018
<b>Inside Debt:</b>					
Land Acquisition - Conservation	4.74%	6/1/1999	6/1/2019	\$ 1,473,500	\$ 40,000
Land Acquisition - High School	4.75%	6/1/1999	6/1/2019	2,400,000	110,000
High School Construction - Refunded	2.64%	4/15/2010	8/15/2021	29,606,000	11,640,000
Land Acquisition - Conservation - Refunded	2.37%	4/15/2010	8/15/2019	855,000	210,000
Fire Facilities Renovations	3.44%	2/15/2008	2/15/2026	6,800,000	3,000,000
Land Acquisition - Credit Union	2.38%	7/14/2011	7/1/2021	680,000	260,000
Land Acquisition - Allen Farm	2.85%	11/15/2012	11/15/2032	6,100,000	4,575,000
School Additions/Renovations:					
Middle School West Refunded	1.44%	4/12/2013	11/15/2024	3,985,000	2,590,000
Parker Road Preschool Refunded	1.44%	4/12/2013	11/15/2024	435,000	160,000
Spring Street School	1.80%	1/23/2014	1/15/2024	635,000	375,000
Library Construction	4.00%	7/15/2016	7/15/2036	9,745,000	9,255,000
Library Construction	2.25%	7/19/2017	7/15/2032	569,000	569,000
School Heating System Replacements I	2.28%	7/19/2017	7/15/2032	229,000	229,000
School Heating System Replacements II	2.27%	7/19/2017	7/15/2032	2,967,000	2,967,000
Total Inside Debt					<u>35,980,000</u>
<b>Outside Debt:</b>					
<b>Massachusetts Clean</b>					
<b>Water Trust:</b>					
Septic - Title V	N/A	10/25/2000	8/1/2018	86,947	4,829
Septic - Title V	N/A	2/1/2004	8/1/2022	105,896	27,963
Septic - Title V	N/A	11/16/2005	7/15/2025	94,573	37,825
Middle School Construction	3.59%	7/14/2011	7/1/2031	20,000,000	14,000,000
Water Improvements	1.56%	11/15/2012	11/15/2022	681,000	330,000
Total Outside Debt					<u>14,400,617</u>
Subtotal governmental-type debt					50,380,617
Add: Unamortized gain/loss on advance refunding of general obligation bonds					159,622
Total governmental type debt					<u>\$ 50,540,239</u>

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

Year	Principal	Interest	Total
2019	\$ 6,315,099	\$ 1,809,237	\$ 8,124,336
2020	6,125,269	1,555,897	7,681,166
2021	5,915,269	1,299,777	7,215,046
2022	5,890,398	1,046,549	6,936,947
2023	2,920,398	867,195	3,787,593
2024-2028	12,099,184	2,916,181	15,015,365
2029-2033	9,175,000	990,691	10,165,691
2034-2037	1,940,000	116,400	2,056,400
	<u>\$ 50,380,617</u>	<u>\$ 10,601,927</u>	<u>\$ 60,982,544</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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, 2018
<b>Sewer activities:</b>					
<b>Inside Debt:</b>					
<b>Massachusetts Clean</b>					
<b>Water Trust:</b>					
Assebet River consortium	N/A	7/15/2001	2/1/2021	\$ 490,127	\$ 61,149
Assebet River consortium	N/A	7/23/2005	7/15/2020	168,653	32,423
Sewer Interceptor Improvements	2.00%	5/22/2013	1/15/2033	956,875	709,880
Sewer System improvements	2.00%	1/7/2015	1/15/2035	4,146,710	<u>3,335,915</u>
					<u>4,139,367</u>
<b>Electric light activities:</b>					
<b>(as of December 31, 2017)</b>					
<b>Outside Debt:</b>					
Electric light plant upgrades	2.95%	1/23/2014	1/15/2034	6,000,000	<u>5,100,000</u>
					<u>5,100,000</u>
Total Business-Type Funds					<u><u>\$ 9,239,367</u></u>

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

Year	Principal	Interest	Total
2019	\$ 234,964	\$ 83,168	\$ 318,132
2020	239,415	77,905	317,320
2021	247,182	73,196	320,378
2022	218,493	68,356	286,849
2023	223,242	63,986	287,228
2024-2028	1,191,133	250,986	1,442,119
2029-2033	1,326,324	126,581	1,452,905
2034-2035	458,614	13,808	472,422
	<u>\$ 4,139,367</u>	<u>\$ 757,986</u>	<u>\$ 4,897,353</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

Debt service requirements for principal and interest for the electric light enterprise funds of December 31, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 300,000	\$ 150,600	\$ 450,600
2019	300,000	141,600	441,600
2020	300,000	135,600	435,600
2021	300,000	129,600	429,600
2022	300,000	122,850	422,850
2023-2027	1,500,000	487,350	1,987,350
2028-2032	1,500,000	238,500	1,738,500
2033-2034	600,000	23,100	623,100
	<u>\$ 5,100,000</u>	<u>\$ 1,429,200</u>	<u>\$ 6,529,200</u>

A summary of the changes in governmental activities liabilities is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 52,840,000	\$ 3,765,000	\$ 6,295,000	\$ 50,310,000	\$ 6,300,000
Massachusetts Clean Water Trust bonds	85,716	-	15,099	70,617	15,099
<b>Compensated absences</b>	1,310,494	1,417,545	20,628	2,707,411	403,127
<b>OPEB obligation payable</b>	44,352,059	3,009,637	-	47,361,696	-
<b>Net pension liability</b>	17,481,480	-	13,754,378	3,727,102	-
<b>Deferred Outflows:</b>					
Loss on advance refunding	(216,154)	-	(20,769)	(195,385)	(20,769)
<b>Deferred Inflows:</b>					
Gain on advance refunding	444,895	-	89,888	355,007	89,888
<b>Governmental activity Long-term liabilities</b>	<u>\$ 116,298,490</u>	<u>\$ 8,192,182</u>	<u>\$ 20,154,224</u>	<u>\$ 104,336,448</u>	<u>\$ 6,787,345</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

A summary of the changes in the business-type liabilities (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2017) is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
<b>Business type activities:</b>					
<b>Sewer activities</b>					
<b>Bonds Payable:</b>					
Massachusetts Clean					
Water Trust bonds	\$ 4,369,973	\$ -	\$ 230,606	\$ 4,139,367	\$ 234,964
<b>Compensated absences</b>	17,099	-	7,935	9,164	2,291
<b>OPEB obligation payable</b>	131,078	-	8,018	123,060	-
<b>Net pension liability</b>	138,615	-	113,682	24,933	-
Total sewer activities					
Long-term liabilities	4,656,765	-	360,241	4,296,524	237,255
<b>Electric light activities:</b>					
<b>(as of December 31, 2017)</b>					
<b>Bonds Payable:</b>					
General obligation bonds	5,505,000	-	405,000	5,100,000	300,000
<b>Net pension liability</b>	1,219,554	-	849,729	369,825	-
Total electric light activities					
Long-term liabilities	6,724,554	-	1,254,729	5,469,825	300,000
<b>Cablevision activities:</b>					
<b>(as of December 31, 2017)</b>					
<b>OPEB obligation payable</b>	204,200	-	58,446	145,754	-
<b>Net pension liability</b>	791,516	-	228,250	563,266	-
Total cablevision activities					
long-term liabilities	995,716	-	286,696	709,020	-
<b>Business-type activity</b>					
<b>Long-term liabilities</b>	\$ 12,377,035	\$ -	\$ 1,901,666	\$ 10,475,369	\$ 537,255

**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, 2018 for principal and interest combined for the loans is \$4,971,609. The net repayments, including interest, are scheduled to be \$4,946,240. 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 2018 principal and interest subsidies totaled \$9,943.

**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, 2018 totaled \$40,119,367.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The following is a computation of the legal debt limit as of June 30, 2018:

Equalized Valuation-Real Estate and Personal Property (2018)		<u>\$ 6,091,353,800</u>
Debt Limit: 5 % of Equalized value		304,567,690
Total Debt Outstanding	\$ 59,319,984	
Less: Debt Outside Debt Limit	<u>(19,200,617)</u>	<u>40,119,367</u>
Inside Debt Excess Borrowing Capacity at June 30, 2018		<u><u>\$ 264,448,323</u></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, 2018 and are not reflected in the Town's financial statements are as follows:

<b>Date Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
10/21/2013	Public Library construction and renovations	\$ 2,958,002
9/26/2016	New water treatment facility construction	<u>5,431,154</u>
		<u><u>\$ 8,389,156</u></u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**H. Fund Balances**

The following is a summary of the Governmental fund balances at the year ended June 30, 2018:

	<b>General Fund</b>	<b>Major Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted:</b>				
Federal, state and local grants	\$ -	\$ -	\$ 3,296,664	\$ 3,296,664
School revolving funds	-	-	3,561,679	3,561,679
Town revolving funds	-	-	231,396	231,396
Debt service	660,038	-	-	660,038
Default accounts	-	-	79,929	79,929
Gifts and donations	-	-	2,406,717	2,406,717
Inflow/infiltration	-	-	1,706,872	1,706,872
Insurance	-	-	240,776	240,776
Parks and recreation	-	-	276,355	276,355
Sale of cemetery lots	-	-	83,434	83,434
Sale of real estate	-	-	46,025	46,025
Water conservation	-	-	169,845	169,845
Capital projects	-	-	470,075	470,075
Permanent funds	-	-	2,150,502	2,150,502
Other	-	-	1,666,147	1,666,147
	<u>660,038</u>	<u>-</u>	<u>16,386,416</u>	<u>17,046,454</u>
<b>Committed:</b>				
Capital projects	-	-	2,121,531	2,121,531
Workers' compensation	-	-	42,048	42,048
	<u>-</u>	<u>-</u>	<u>2,163,579</u>	<u>2,163,579</u>
<b>Assigned:</b>				
General government	747,065	-	-	747,065
Public safety	79,382	-	-	79,382
Public works (including water)	3,327,515	-	-	3,327,515
Education	325,475	-	-	325,475
Health and human services	34,758	-	-	34,758
Culture and recreation	178,871	-	-	178,871
Subsequent year's budget	3,147,622	-	-	3,147,622
	<u>7,840,688</u>	<u>-</u>	<u>-</u>	<u>7,840,688</u>
<b>Unassigned:</b>				
General Fund	10,039,203	-	-	10,039,203
Deficit capital projects	-	-	(909,809)	(909,809)
New Water Treatment Facility	-	(8,553,845)	-	(8,553,845)
	<u>10,039,203</u>	<u>(8,553,845)</u>	<u>(909,809)</u>	<u>575,549</u>
<b>Total Governmental fund balances</b>	<b>\$ 18,539,929</b>	<b>\$ (8,553,845)</b>	<b>\$ 17,640,186</b>	<b>\$ 27,626,270</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**I. Special Trust Funds**

**Stabilization Fund**

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2018 the balance in the stabilization fund is \$869,973 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.

Shrewsbury Electric and Cable Operations (SELCO) participates in Massachusetts Municipal Self Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing general and environmental liability risks. Through the Trust, SELCO is insured for \$500,000 per occurrence, with a \$50,000 deductible that would be paid by the Department. Environmental insurance coverage provides for \$1.5 million per occurrence, with a \$100,000 deductible that would be paid by both SELCO and the Trust. Each participating light department contributes to the Trust based on its share of the group's total kilowatt-hour sales. Participants for claims over the deductible limit are funded by Trust assets, or, if required, additional contributions from the participants.

Generally accepted accounting principles require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2017, SELCO considers its' pro rata share of these losses to be immaterial to its financial statements.

**B. Contingent Liabilities**

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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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).

**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 a Project Participant fail to make any payment when due, other Project Participants of that Project 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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 payments due to MMWEC, whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

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

As of December 31, 2017, total capital expenditures for MMWEC's Projects amounted to \$1,583,481,000, of which \$75,324,000 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 \$10,680,000, of which \$562,000 is associated with the SELCO-Electric's share of Project Capability. As of December 31, 2017, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$11,425,000, of which \$604,000 is anticipated to be billed to the SELCO-Electric in the future.

The 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, 2017, and estimated for future years is shown below.

<b>For years ended December 31, 2018</b>	\$	200,000
<b>2019</b>		<u>404,000</u>
	<u>\$</u>	<u>604,000</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 \$4,931,000 for the year ended December 31, 2017.

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 \$5,685,154 in 2018, \$3,479,865 in 2019, \$3,052,640 in 2020 and \$939,203 in 2021.

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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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 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, 2017, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145, of which \$7,536,000; 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 \$46,000,000, of which \$5,850,000 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, 2017, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$62,399,000 of which \$7,936,000 is anticipated to be billed to the Department in the future.

The estimated aggregate 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, 2017 and estimated for future years is shown below:

<b>For years ended December 31, 2018</b>	<b>\$</b>	649,000
<b>2019</b>		642,000
<b>2020</b>		607,000
<b>2021</b>		606,000
<b>2022</b>		606,000
<b>2023-2027</b>		3,021,000
<b>2028-2030</b>		1,805,000
	<b>\$</b>	<u><u>7,936,000</u></u>

**Cable Operations Enterprise Fund – Commitments and Contingencies**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**Year Ended June 30, 2018**

The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2018:

<b>For years ended December 31, 2018</b>	<b>\$</b>	<b>7,718,612</b>
<b>2019</b>		<b>6,819,009</b>
<b>2020</b>		<b>4,750,279</b>
<b>2021</b>		<b>2,046,396</b>
		<b><u>21,334,296</u></b>
	<b>\$</b>	<b><u>21,334,296</u></b>

Signal purchase expense under these contracts was \$7,804,976 in 2017.

**C. Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued.

**D. 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, 2017. The Town's portion of the collective pension expense contributed by the Commonwealth of \$14,121,884 on-behalf payments for the fiscal year ending June 30, 2018 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 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, 2017 was \$5,549,124, representing 22.4% 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, 2018, the Town reported a liability of \$4,148,127 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2017, the Town's proportional percentage was 98.124%, which was a slight decrease from the last measurement.

**Pension Expense**

For the year ended June 30, 2018, the Town recognized a pension cost of \$384,891 and reported deferred outflows of resources related to pensions of \$3,738,265 from net differences between expected and actual experience and the differences between employer contributions and proportionate share of contributions, and deferred inflows of resources related to pensions of \$8,763,541 from the net differences between expected and actual experience, the changes in assumptions, the net difference between projected and actual investment earnings on pension plan investments and the differences between employer contributions and proportionate share of contributions.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

<b>For years ended June 30,</b>		
<b>2019</b>	<b>\$</b>	<b>(855,261)</b>
<b>2020</b>		<b>(668,564)</b>
<b>2021</b>		<b>(1,672,376)</b>
<b>2022</b>		<b>(1,840,885)</b>
<b>2023</b>		<b>11,810</b>
	<b>\$</b>	<b><u>(5,025,276)</u></b>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2017:

Valuation date	January 1, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	The actuarial value of assets is the market value as reported by the Public Employees' Retirement Administration Commission (PERAC).
Investment rate of return	7.5% per year
Projected salary increases	3.5% per year.
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 three 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. Generational adjusting is based on Scale MP-2014.

**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**  
**Year Ended June 30, 2018**

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Rate of Return
Domestic Equity	33.00%	6.00%	1.98%
Developing Markets Equities	11.00%	4.90%	0.54%
Emerging Market Equities	7.00%	10.40%	0.73%
Real Assets	17.00%	6.60%	1.12%
Core Fixed Income	10.00%	2.00%	0.20%
High Yield Fixed Income	11.00%	4.80%	0.53%
Private Equity	6.00%	10.40%	0.62%
Hedge Funds	5.00%	1.60%	0.08%
Total	<u>100.00%</u>	N/A	5.80%

**Rate of Return**

For the year ended December 31, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 17.00%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%. 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 (6.50%) or 1-percentage-point higher (8.50%) 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	\$ 18,340,694	\$ 4,148,127	\$ (7,829,626)

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**E. Other Post Employment Benefits Payable**

For 2018, the Post Employment Benefits Other Than Pensions disclosures include amounts related to GASB No. 74 for the OPEB Plan, GASB No. 75 for the Town's implementation, and GASB No. 45 for the Electric Light and Cable Operations Business-type activities. Since the Shrewsbury Electric and Cable Operations (SELCO) has a December 31, year end, they are not required to implement GASB No. 75 until calendar year 2018. The GASB No. 75 liability and the GASB No. 45 liability for SELCO detailed later in this section combined to equal the total net OPEB liability reported of \$47,229,194 (Asset of \$401,316 and Liability of \$47,630,510) on the Statement of Net Position.

**GASB Statement No. 45 (Shrewsbury Electric and Cable Operations (SELCO), December 31, 2017**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

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 109 (70 in the Electric Light and 39 in the Cable Operations) 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 calendar year 2017, the SELCO - Electric premiums plus implicit costs for the retiree medical program is \$103,742 and the SELCO - Cable premiums plus implicit costs for the retiree medical program is \$77,693.

**Annual OPEB Cost and Net OPEB Obligation**

The SELCO - Cable'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.



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

	<b>Electric Light Fund (As of December 31, 2017</b>	<b>Cable Operations Fund (As of December 31, 2017</b>
Annual required contribution	\$ 216,267	\$ 77,123
Contributions made during the fiscal year	(103,742)	(77,693)
Increase in net OPEB obligation	112,525	(570)
Transfers to OPEB Trust Fund	(9,500)	(57,876)
Net OPEB Obligation - beginning of year	(504,341)	204,200
Net OPEB Obligation - end of year	<u>\$ (401,316)</u>	<u>\$ 145,754</u>

The SELCO - Electric's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 calendar year and the two preceding years was as follows:

<b>For the Year Ended</b>	<b>Annual OPEB Cost</b>	<b>OPEB Cost Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2015	\$ 172,235	\$ 142,182	82.55%	\$ (506,903)
12/31/2016	\$ 239,247	\$ 236,685	98.93%	\$ (504,341)
12/31/2017	\$ 257,837	\$ 154,813	60.00%	\$ (401,316)

The SELCO - Cable's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 calendar year and the two preceding years was as follows:

<b>For the Year Ended</b>	<b>Annual OPEB Cost</b>	<b>OPEB Cost Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2015	\$ 101,181	\$ 136,631	135.04%	\$ 333,428
12/31/2016	\$ 53,289	\$ 182,517	342.50%	\$ 204,200
12/31/2017	\$ 60,292	\$ 118,739	196.94%	\$ 145,754

**Funded Status and Funding Process**

As of June 30, 2016, the most recent valuation date, for the year ending December 31, 2017, the actuarial liability for benefits SELCO – Electric was \$2,417,164 and the actuarial value of assets was \$1,415,227, resulting in a total unfunded actuarial accrued liability (UAAL) of \$1,001,937. The covered payroll (annual payroll of active employees covered by the plan) was \$3,301,733, and the ratio of the UAAL to the covered payroll was 30.34%.

As of June 30, 2016, the most recent valuation date, for the year ending December 31, 2017, the actuarial liability for benefits SELCO – Cable was \$1,101,352 and the actuarial value of assets was \$989,622, resulting in a total unfunded actuarial accrued liability (UAAL) of \$111,730. The covered payroll (annual payroll of active employees covered by the plan) was \$2,431,932, and the ratio of the UAAL to the covered payroll was 4.6%.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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.

**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.

Actuarial liabilities were determined using the projected unit credit actuarial cost method. The actuarial methods and assumptions include a 7.5% rate of return and an annual health care cost rate trend based on projected per capita health claims costs for specific age groups as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The UAAL is being amortized over 30 years at transition and assumed to increase annually by 4.0%. The remaining amortization period at December 31, 2017 is 20 years.

**GASB Statement No. 74 and GASB Statement No. 75**

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 recognizes the cost of post employment benefits in the year when the employee services are received. The Town 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, the Town provides 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 1,718 active and retired employees and dependents that meet the eligibility requirements. The plan does not issue a separate financial report.

**Investment Policy**

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2018, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A).

**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 2018 fiscal year, the Town contributed \$2,435,051 to the plan. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The trust balance of \$3,886,898 as of June 30, 2018, is as follows:

Town OPEB Trust	\$ 1,032,583
Sewer OPEB Trust	66,363
Water OPEB Trust	312,385
Cable OPEB Trust	1,046,024
Electric Light OPEB Trust	1,429,543
	<u>\$ 3,886,898</u>

**Measurement Date**

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

**Plan Membership:**

Current active members	949
Current retirees, beneficiaries and dependents	769
Total	<u>1,718</u>

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

	<b><u>June 30, 2018</u></b>
Total OPEB liability	\$ 52,647,307
Less: Plan fiduciary net position	(3,886,898)
Town's Net OPEB liability	<u>\$ 48,760,409</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated for the reporting date of June 30, 2018, unless otherwise specified:

Valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Investment rate of return	Full prefunding: 7.50% annually, net of investment expenses
Healthcare cost trend rates	4.50% annually in 2018, and for future periods

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

Mortality rates

Both pre-retirement and beneficiary mortality rates are represented by the RP-2014 Blue Collar Mortality Table with Scale MP-2015, 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 three 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 six years.

Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality table set forward two years.

Generational adjusting is based on Scale MP-2015.

The actuarial assumptions used the July 1, 2018 actuarial valuation and market value of assets as of the measurement date of June 30, 2018 were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index was not provided.

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2017	\$ 48,107,891	\$ 3,477,445	\$ 44,630,446
Service cost	1,449,891	-	1,449,891
Interest	3,621,277	-	3,621,277
Difference between actual and expected experience	1,549,851	-	1,549,851
Employer contributions to Trust	-	2,650,803	(2,650,803)
Net investment income	-	193,701	(193,701)
Changes in benefit terms	-	-	-
Changes in assumptions	513,499	-	513,499
Benefit payments withdrawn from Trust	(2,595,102)	(2,435,051)	(160,051)
Administrative expense	-	-	-
Net change in total OPEB liability	4,539,416	409,453	4,129,963
Balances at June 30, 2018	\$ 52,647,307	\$ 3,886,898	\$ 48,760,409

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB 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:

	<b>1% Decrease 6.5%</b>	<b>Current Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
Town's net OPEB liability	\$ 55,969,692	\$ 48,760,409	\$ 42,836,844

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current healthcare cost trend rates:

	<b>1% Decrease 3.5%</b>	<b>Healthcare Cost Trend Rates 4.5%</b>	<b>1% Increase 5.5%</b>
Town's net OPEB liability	\$ 42,192,850	\$ 48,760,409	\$ 56,932,577

**Summary of Significant Accounting Policies**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

**Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$5,149,407 and reported deferred outflows of resources related to OPEB of \$1,865,029 and deferred inflows of resources related to OPEB of \$0.

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

<b>For years ended June 30,</b>	
<b>2019</b>	\$ 346,994
<b>2020</b>	346,994
<b>2021</b>	346,995
<b>2022</b>	328,588
<b>Thereafter:</b>	495,458
	\$ 1,865,029

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**F. Implementation of New GASB Pronouncements**

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. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 85, *Omnibus 2017*, for implementation in fiscal year 2018.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, for implementation in fiscal year 2018.

**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. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

**5. RESTATEMENT**

The net position as of June 30, 2018 has been restated. As required by GASB Statement No. 75, the beginning net position decreased \$1,507,803 { \$1,524,656 for governmental activities and (\$16,853) for business-type activities} to reflect the change in the other post employment benefits (OPEB) liability. Accordingly, the previously reported net position of \$200,561,991 has been revised to \$199,054,188; \$95,403,480 for governmental activities and \$103,650,708 for business-type activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Shrewsbury Contributory Retirement System**  
**For the Year Ended June 30, 2018**

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>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's share of the net pension liability (asset)	98.124%	98.345%	98.066%	98.442%
Town's proportionate share net pension liability (asset)	\$ 4,148,127	\$ 18,553,185	\$ 20,480,574	\$ 21,201,960
Town's covered employee payroll	\$ 25,216,339	\$ 24,460,547	\$ 23,692,881	\$ 23,896,051
Town's percentage	<u>98.124%</u>	<u>98.345%</u>	<u>98.066%</u>	<u>98.442%</u>
Town's share of covered employee payroll	<u>\$ 24,743,349</u>	<u>\$ 24,055,668</u>	<u>\$ 23,234,659</u>	<u>\$ 23,523,751</u>
Net pension liability percentage of covered-employee payroll	16.8%	77.1%	88.1%	90.1%
Plan fiduciary net position as a percentage of the total pension liability	96.7%	77.1%	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, 2018**

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>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 5,549,124	\$ 5,125,289	\$ 4,922,794	\$ 5,405,248
Less: Contributions in relation to the actuarially determined contribution	<u>(5,549,124)</u>	<u>(5,125,289)</u>	<u>(4,922,794)</u>	<u>(5,405,248)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 25,216,339	\$ 24,460,547	\$ 23,692,881	\$ 23,896,051
Town's percentage	<u>98.124%</u>	<u>98.345%</u>	<u>98.066%</u>	<u>98.442%</u>
Town's share of covered employee payroll	<u>\$ 24,743,349</u>	<u>\$ 24,055,668</u>	<u>\$ 23,234,659</u>	<u>\$ 23,523,751</u>
Contributions percentage of covered-employee payroll	22.4%	21.3%	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**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Changes in the Net OPEB Liability:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 1,449,891	\$ 1,543,475
Interest on net OPEB liability	3,621,277	3,438,194
Changes in Benefit terms	-	-
Changes in Assumptions	513,499	-
Difference between actual and expected experience	1,549,851	-
Benefit payments, including refunds of member contributions	(2,595,102)	(2,304,138)
Other charges	-	-
Net change in total OPEB liability	<u>4,539,416</u>	<u>2,677,531</u>
Total OPEB liability-beginning	<u>48,107,891</u>	<u>45,430,360</u>
<b>Total OPEB liability-ending (a)</b>	<b><u>\$ 52,647,307</u></b>	<b><u>\$ 48,107,891</u></b>
 <b>Plan fiduciary net position</b>		
Net investment income	\$ 378,695	\$ 132,319
Employer contributions to Trust	2,650,803	2,391,572
Benefit payments, including refunds of member contributions	(2,435,051)	(2,059,702)
Administrative expense	-	-
Other charges	-	-
Net change in plan fiduciary net position	<u>594,447</u>	<u>464,189</u>
Total fiduciary net position-beginning	<u>3,292,451</u>	<u>2,828,262</u>
<b>Total fiduciary net position-ending (b)</b>	<b><u>\$ 3,886,898</u></b>	<b><u>\$ 3,292,451</u></b>
 <b>Town's net OPEB liability (a-b)</b>	<b><u>\$ 48,760,409</u></b>	<b><u>\$ 44,815,440</u></b>

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**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Net OPEB Liability:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 52,647,307	\$ 48,107,891
Less: Plan fiduciary net position	<u>(3,886,898)</u>	<u>(3,292,451)</u>
Town's Net OPEB liability	<u>\$ 48,760,409</u>	<u>\$ 44,815,440</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.4%	6.8%
Town's share of covered employee payroll	\$ 68,438,642	\$ 67,279,575
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	71.2%	66.6%

**Schedule of Contributions:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,650,803	\$ 2,391,572
Less: Contributions in relation to the actuarially determined contribution	<u>(2,810,855)</u>	<u>(2,636,008)</u>
Contribution deficiency (excess)	<u>\$ (160,052)</u>	<u>\$ (244,436)</u>
Town's share of covered employee payroll	\$ 68,438,642	\$ 67,279,575
Contributions percentage of covered-employee payroll	4.1%	3.9%
Annual money-weighted rate of return net of investment expense	N/A	N/A

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**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Funding Progress:**

<b>Other Post Employment Benefits</b>						
<b>Date</b>	<b>Actuarial Fiduciary Net Position (A)</b>	<b>Actuarial Total OPEB Liability (B)</b>	<b>Actuarial Net OPEB Liability (B-A)</b>	<b>Actuarial Funded Ratio (A/B)</b>	<b>Actuarial Covered Payroll (C)</b>	<b>Actuarial Percentage of Covered Payroll ((B-A)/C)</b>
6/30/2018	\$ 3,886,898	\$ 52,647,307	\$ 48,760,409	7.4%	\$ 68,438,642	71.2%
6/30/2017	\$ 3,292,451	\$ 48,107,891	\$ 44,815,440	6.8%	\$ 67,279,575	66.6%

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.

## **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, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 384,293	\$ 1,691,002	\$ 2,080,931	\$ -	\$ (5,636)
Arts Lottery Council Grant	5,965	8,400	7,860	-	6,505
Elderly Programs	8,971	54,933	63,904	-	-
Highway Grants	-	1,081,107	1,081,107	-	-
Library Grants	271,083	52,045	24,113	-	299,015
Other Grants and Programs	98,903	116,437	78,142	-	137,198
Park Improvement Grant	54,343	-	2,508	-	51,835
Public Safety Grants	566	132,708	127,231	-	6,043
<b>Schools:</b>					
School Lunch Program	285,268	2,148,766	1,948,664	-	485,370
School Lunch Commodities	-	125,619	125,619	-	-
School Revolving Accounts	2,610,375	5,322,913	4,998,434	-	2,934,854
School Choice	139,674	145,604	143,823	-	141,455
State Special Education Reimbursement Fund	1,364,878	3,217,337	1,875,553	-	2,706,662
<b>Other:</b>					
Conservation Commission	14,282	2,880	10,516	-	6,646
Council on Aging Van Revolving	109,980	4,378	39,840	-	74,518
Donahue Rowing Center Revolving	900	58,257	59,157	-	-
Filing Fees	258,364	78,943	94,106	-	243,201
Gifts and Donations	748,343	2,103,103	437,532	(7,197)	2,406,717
Infiltration and Inflow	1,842,844	224,028	-	(360,000)	1,706,872
Insurance Reimbursements	227,561	46,171	32,956	-	240,776
Interest on Borrowing	8,148	-	-	(8,148)	-
Law Enforcement Fund	23,792	1,067	6,874	-	17,985
Off-Duty Details Revolving	20,735	652,116	644,060	-	28,791
Parks and Recreation Revolving	241,505	366,123	331,273	-	276,355
Police Investigations	1,826	-	-	-	1,826
Police Task Force	-	3,124	-	-	3,124
Public Buildings Revolving	72,429	60,025	22,209	-	110,245
<b>Total Special Revenue Page 86</b>	<b>\$ 8,795,028</b>	<b>\$ 17,697,086</b>	<b>\$ 14,236,412</b>	<b>\$ (375,345)</b>	<b>\$ 11,880,357</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Continued from Page 86</b>	\$ 8,795,028	\$ 17,697,086	\$ 14,236,412	\$ (375,345)	\$ 11,880,357
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Sale of Cemetery Lots	77,626	23,808	-	(18,000)	83,434
Sale of Real Estate	46,025	-	-	-	46,025
Septic Loan Program	10,743	-	10,743	-	-
Septic Loan Repayment Fund	144,171	8,612	-	(15,099)	137,684
Special Needs Recreation Fund	21,806	-	3,963	-	17,843
Surety Defaults	79,929	-	-	-	79,929
Transportation Infrastructure	-	6,416	-	-	6,416
Water Conservation Fund	171,031	48,814	-	(50,000)	169,845
Zoning Board Review Fees	20	78,774	75,954	-	2,840
Affordable Housing Fund	262,809	219,679	-	-	482,488
Cemetery Stabilization Fund	72,318	19,093	-	-	91,411
Rowing Center Fund	648,313	24,211	-	-	672,524
Workers Compensation Fund	42,048	-	-	-	42,048
<b>Total Special Revenue Funds</b>	<b>10,371,867</b>	<b>18,126,493</b>	<b>14,327,072</b>	<b>(458,444)</b>	<b>13,712,844</b>
<b>Capital Projects:</b>					
Allen Farm	29,103	-	15	-	29,088
Beal School Project	-	345,629	689,200	-	(343,571)
Lakeway State Grant	18,898	-	-	-	18,898
Public Works Projects	76,144	-	-	-	76,144
Sherwood Middle School Project	117,218	347,745	-	(464,963)	-
Spring and Paton Schools Heating Systems	(3,209,514)	-	74,001	3,285,000	1,485
Library projects	(1,787,763)	422,844	2,738	1,807,159	439,502
Water Projects	578,385	-	486,580	1,463,489	1,555,294
<b>Total Capital Projects</b>	<b>\$ (4,177,529)</b>	<b>\$ 1,116,218</b>	<b>\$ 1,252,534</b>	<b>\$ 6,090,685</b>	<b>\$ 1,776,840</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Permanent Funds:</b>					
Cemetery Funds	\$ 1,611,722	\$ 43,711	\$ 61,351	\$ (25,000)	\$ 1,569,082
Library Funds	583,903	1,900	4,383	-	581,420
<b>Total Permanent Funds</b>	<u>2,195,625</u>	<u>45,611</u>	<u>65,734</u>	<u>(25,000)</u>	<u>2,150,502</u>
<b>Total - Non-Major Governmental Funds</b>	<u>\$ 8,389,963</u>	<u>\$ 19,288,322</u>	<u>\$ 15,645,340</u>	<u>\$ 5,607,241</u>	<u>\$ 17,640,186</u>



**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY,  
SUPPLEMENTAL TAXES AND TAXES IN LITIGATION  
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
<b>Real Estate Taxes:</b>						
Levy of 2018	\$ -	\$ 72,636,394	\$ 252,596	\$ 72,084,581	\$ 299,217	\$ 300,589
Levy of 2017	673,222	-	1,304	444,721	227,197	227,197
Levy of 2016	141,908	-	(32)	58,229	83,711	83,711
Levy of 2015	1,291	-	(135)	1,137	289	289
Levy of 2014	109	-	(133)	-	242	242
Prior Years	(1,518)	-	(1,135)	(383)	-	(1,078)
	<u>815,012</u>	<u>72,636,394</u>	<u>252,465</u>	<u>72,588,285</u>	<u>610,656</u>	<u>610,950</u>
<b>Personal Property Taxes:</b>						
Levy of 2018	-	1,007,076	2,066	991,324	13,686	13,686
Levy of 2017	43,595	-	(14)	33,684	9,925	9,925
Levy of 2016	4,391	-	3,744	(3,565)	4,212	4,212
Levy of 2015	4,513	-	417	(423)	4,519	4,519
Levy of 2014	3,048	-	(19)	-	3,067	3,067
Prior Years	10,567	-	22,893	(29,762)	17,436	17,416
	<u>66,114</u>	<u>1,007,076</u>	<u>29,087</u>	<u>991,258</u>	<u>52,845</u>	<u>52,825</u>
<b>Supplemental Taxes</b>	<u>31,652</u>	<u>104,858</u>	<u>4,275</u>	<u>44,573</u>	<u>87,662</u>	<u>87,662</u>
<b>Taxes in Litigation</b>	<u>45,790</u>	<u>-</u>	<u>2,384</u>	<u>43,406</u>	<u>-</u>	<u>-</u>
<b>Total Real Estate, Personal Property, and Supplemental Taxes and Taxes in Litigation</b>	<u>\$ 958,568</u>	<u>\$ 73,748,328</u>	<u>\$ 288,211</u>	<u>\$ 73,667,522</u>	<u>\$ 751,163</u>	<u>\$ 751,437</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
JULY 1, 2017 TO JUNE 30, 2018**

	<b>Uncollected Taxes July 1, 2017</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2018</b>	<b>Uncollected Taxes Per Detail June 30, 2018</b>
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2018	\$ -	\$ 5,629,430	\$ 68,891	\$ 4,989,697	\$ 570,842	\$ 631,890
Levy of 2017	270,799	627,190	41,967	779,294	76,728	270,799
Levy of 2016	64,294	7,834	1,291	40,199	30,638	64,431
Levy of 2015	29,746	-	535	7,243	21,968	29,746
Levy of 2014	23,388	-	-	1,870	21,518	23,388
Prior Years	461,586	489	-	4,268	457,807	461,586
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 849,813</b>	<b>\$ 6,264,943</b>	<b>\$ 112,684</b>	<b>\$ 5,822,571</b>	<b>\$ 1,179,501</b>	<b>\$ 1,481,840</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2017 TO JUNE 30, 2018**

	<b>Uncollected Accounts July 1, 2017</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2018</b>	<b>Uncollected Accounts Per Detail June 30, 2018</b>
<b>Tax Liens</b>	\$ 485,615	\$ -	\$ -	\$ 146,046	\$ 339,569	\$ 338,588

**TOWN OF SHREWSBURY, MASSACHUSETTS**

**INDEPENDENT AUDITOR'S REPORTS PURSUANT  
TO GOVERNMENTAL AUDITING STANDARDS  
AND UNIFORM GUIDANCE**

**FOR THE YEAR ENDED JUNE 30, 2018**

**TOWN OF SHREWSBURY, MASSACHUSETTS**

**Independent Auditor's Reports Pursuant  
To Governmental Auditing Standards  
And Uniform Guidance**

**For the Year Ended June 30, 2018**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen  
Town of Shrewsbury, Massachusetts

We have audited, in accordance with the 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, the 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, 2018, (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, 2017), and the related notes to the financial statements, which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements, and have issued our report thereon dated March 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, as described in our report on the Town of Shrewsbury, Massachusetts' financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Shrewsbury, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shrewsbury, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shrewsbury, Massachusetts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Shrewsbury, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 25, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Selectmen  
Town of Shrewsbury, Massachusetts

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Shrewsbury, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Shrewsbury, Massachusetts' major federal programs for the year ended June 30, 2018. The Town of Shrewsbury, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Shrewsbury, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Shrewsbury, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Shrewsbury, Massachusetts' compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Shrewsbury, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



## **Report on Internal Control Over Compliance**

Management of the Town of Shrewsbury, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Shrewsbury, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Shrewsbury, Massachusetts' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the 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, 2018, (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, 2017), and the related notes to the financial statements, which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements. Our report includes reference to other auditors who audited the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, as described in our reports of the Town of Shrewsbury, Massachusetts' financial statements. We issued our report thereon dated March 25, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 25, 2019

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Agriculture</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	14-271	\$ -	\$ 22,630
National School Lunch Program	10.555	14-271	-	492,171
Total Child Nutrition Cluster			-	514,801
Food Distribution-School Lunch Commodities	10.565	14-271	-	125,619
<b>Total U. S. Department of Agriculture</b>			-	640,420
<b>U. S. Department of Justice</b>				
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Security:				
Juvenile Justice and Delinquency Prevention	16.540		-	483
Regional Drug Task Force	16.738		-	1,900
<b>Total U. S. Department of Justice</b>			-	2,383
<b>U. S. Department of Transportation</b>				
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Security:				
State and Community Highway Safety	20.600		-	4,106
<b>Total U. S. Department of Transportation</b>			-	4,106
<b>Institute of Museum and Library Services</b>				
Passed Through Commonwealth of Massachusetts				
Board of Library Commissioners:				
Good Day Memory Café	45.310	LS-00-16-022-16-17	-	7,346
<b>Total Institute of Museum and Library Services</b>			-	7,346
<b>U. S. Department of Homeland Security</b>				
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Citizens Corps Program	97.067		-	12,369
<b>Total U. S. Department of Homeland Security</b>			-	12,369
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 2</b>			\$ -	\$ 666,624

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Education</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Title I Grants to Local Educational Agencies				
Title I - 2016	84.010	305-075140-2016-0271	\$ -	\$ 522
Title I - 2017	84.010	305-109721-2017-0271	-	41,566
Title I - 2018	84.010	305-155219-2018-0271	-	320,405
Total Title I Grants to Local Educational Agencies			-	362,493
Special Education Cluster:				
Special Education PL 94-142 Allocation - 2017	84.027	240-101195-2017-0271	-	330,937
Special Education PL 94-142 Allocation - 2018	84.027	240-147730-2018-0271	-	1,183,990
Special Education Transition - 2017	84.027	243-176-7-0271-R	-	13,590
Special Education Program Improvement - 2017	84.027	274-153-7-0271-R	-	15,000
Total Special Education Cluster, Elementary and Secondary Education			-	1,543,517
English Language Acquisition Grants:				
LEP Support - 2016	84.365	180-091-6-0271-Q	-	2,937
LEP Support - 2017	84.365	180-136059-2017-0271	-	22,122
LEP Support - 2018	84.365	180-150903-2018-0271	-	13,226
LEP Summer Support - 2018	84.365	184-138272-2018-0271	-	803
Total English Language Acquisition Grants			-	39,088
Improving Teacher Quality State Grants:				
Teacher Quality - 2017	84.367	140-114611-2017-0271	-	12,381
Teacher Quality - 2018	84.367	140-150902-2018-0271	-	84,535
Total Improving Teacher Quality State Grants			-	96,916
Student Support and Academic Enrichment - 2018	84.424	309-150893-2018-0271	-	4,553
Emergency Impact Aid for Displaced Students	84.938		-	12,994
Passed Through Commonwealth of Massachusetts				
Department of Early Education and Care:				
Special Education Cluster:				
Special Education Early Childhood Allocation - 2018	84.173	EEC-262	-	31,342
Total Special Education Cluster, Early Education and Care			-	31,342
<b>Total U. S. Department of Education</b>				
			-	2,090,903
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 2</b>				
			-	2,090,903
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 2</b>				
			-	666,624
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				
			\$ -	\$ 2,757,527

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Shrewsbury, Massachusetts, under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Shrewsbury, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Shrewsbury, Massachusetts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – INDIRECT COSTS**

The Town of Shrewsbury, Massachusetts, has not charged any indirect costs to any of its federal award programs.

**NOTE D – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_\_\_Yes      X  No

Noncompliance material to financial statements noted? \_\_\_\_\_Yes      X  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_\_\_Yes      X  None Reported

Type of Auditor’s Report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_Yes      X  No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	U.S. Department of Agriculture – Child Nutrition Cluster
84.027, 84.173	U. S. Department of Education – Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?   X  Yes    \_\_\_\_\_No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV – PRIOR YEAR FINDINGS**

None