

OFFICIAL STATEMENT DATED NOVEMBER 8, 2012

Rating: See "Rating" herein.
Moody's Investors Service, Inc.: Aa2

New Issue

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Series B Bonds is exempt from Massachusetts personal income taxes, and the Series B Bonds are exempt from Massachusetts personal property taxes. The Series B Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. Interest on the Series A Bonds is includable in gross income for federal income tax purposes and is subject to Massachusetts personal income taxes. See "THE BONDS – Tax Exemption of the Series B Bonds," "THE BONDS – Tax Matters Relating to the Series A Bonds," and Appendix B herein.

TOWN OF SHREWSBURY, MASSACHUSETTS

**\$6,100,000 General Obligation Land Acquisition Bonds, Series A
(Subject to Federal and Massachusetts Income Taxation)**

and

\$681,000 General Obligation Water Bonds, Series B

DATED
Date of Delivery

DUE
November 15
(as shown on the inside cover page hereof)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof, with the exception of one \$1,000 denomination of the Series B Bonds maturing November 15, 2013. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable November 15 of the years in which the Bonds mature. Interest on the Bonds will be payable May 15 and November 15, commencing May 15, 2013. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Series A Bonds are subject to redemption prior to their stated maturity dates as described herein. The Series B Bonds are not subject to redemption prior to their stated maturity dates.

An opinion of Bond Counsel will be delivered with the Series A Bonds to the effect that the Series A Bonds are valid general obligations of the Town of Shrewsbury, Massachusetts, and that the principal of and interest on the Series A Bonds are payable from taxes that may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws. An opinion of Bond Counsel will be delivered with the Series B Bonds to the effect that the Series B Bonds are payable from taxes that may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town of Shrewsbury, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about November 15, 2012, against payment to the Town in federal funds.

TOWN OF SHREWSBURY, MASSACHUSETTS

\$6,100,000 GENERAL OBLIGATION LAND ACQUISITION BONDS, SERIES A (Subject to Federal and Massachusetts Income Taxation)

MATURITIES, AMOUNTS, RATES, YIELDS, CUSIPS

<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>825502</u>	<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>825502</u>
2013	\$ 305,000	4.00 %	0.55 %	WL7	2023	\$ 305,000	2.50 %	2.60 %	WW3
2014	305,000	4.00	0.65	WM5	2024	305,000	2.75	2.75	WX1
2015	305,000	4.00	0.80	WN3	2025	305,000	2.875	2.90	WY9
2016	305,000	4.00	0.90	WP8	2026	305,000	3.00	3.05	WZ6
2017	305,000	4.00	1.15	WQ6	2027	305,000	3.10	3.15	XA0
2018	305,000	2.00	1.45	WR4	2028	305,000	3.20	3.25	XB8
2019	305,000	2.00	1.65	WS2	2029	305,000	3.30	3.35	XC6
2020	305,000	2.00	2.00	WT0	2030	305,000	3.375	3.40	XD4
2021	305,000	2.125	2.20	WU7	2031	305,000	3.40	3.45	XE2
2022	305,000	2.375	2.40	WV5	2032	305,000	3.50	3.50	XF9

ROOSEVELT & CROSS, INC. & ASSOCIATES

\$681,000 GENERAL OBLIGATION WATER BONDS, SERIES B

MATURITIES, AMOUNTS, RATES, YIELDS, CUSIPS

<u>Due</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>825502</u>
2013	\$ 71,000	2.00 %	0.40 %	XG7
2014	70,000	1.50	0.50	XH5
2015	70,000	1.50	0.60	XJ1
2016	70,000	1.50	0.70	XK8
2017	70,000	2.00	0.85	XL6
2018	70,000	2.00	0.95	XM4
2019	65,000	2.00	1.25	XN2
2020	65,000	2.00	1.45	XP7
2021	65,000	2.00	1.70	XQ5
2022	65,000	2.00	1.90	XR3

ROOSEVELT & CROSS, INC.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT	3	TOWN FINANCES:	
NOTICE OF SALE	4	Budget and Appropriation Process	30
OFFICIAL STATEMENT	8	Operating Budget Trends	30
INTRODUCTION	8	Revenues	30
THE BONDS	8	Property Taxes	30
Description of the Bonds	8	State Aid	30
Redemption Provisions	8	Motor Vehicle Excise	31
Notice of Redemption	9	Water Rates and Services	31
Record Date	9	Sewer Rates and Services	32
Book-Entry-Transfer System	9	Enterprise Funds	32
Authorization of the Bonds and Use of Proceeds	11	Local Options Meals Tax and Hotel/Motel Tax	32
Principal Maturities by Purpose	11	Annual Audits	32
Tax Matters Relating to the Series A Bonds	12	Financial Statements	32
Circular 230 Disclaimer	14	Combined Balance Sheet (DRAFT) - All Funds	
Tax Exemption of the Series B Bonds	14	Ending June 30, 2012	33
Security and Remedies	16	Balance Sheet - Governmental Funds	
Opinion of Bond Counsel	17	Ending June 30, 2011	34
Rating	17	Balance Sheet - Governmental Funds	
Financial Advisory Services of First Southwest		Ending June 30, 2010	35
Company	17	Balance Sheet - Governmental Funds	
Continuing Disclosure	18	Ending June 30, 2009	36
TOWN OF SHREWSBURY, MASSACHUSETTS:		Combined Statement of Revenues, Expenditures	
General	19	and Changes in Fund Balance - General Fund	
Principal Town Officials	19	June 30, 2007 – June 30, 2011	37
Municipal Services	19	Undesignated General Fund Balance and	
Education	20	Free Cash	38
Public School Enrollments	20	Stabilization Fund	38
Industry and Commerce	20	Other Available Funds	38
Labor Force, Employment and Unemployment Rates	21	Tax Increment Financing	38
Building Permits	21	Investment of Town Funds	39
Population, Wealth, and Income Levels	22	INDEBTEDNESS:	
Population Trends	22	Authorization Procedure and Limitations	40
PROPERTY TAXATION:		Types of Obligations	40
Tax Levy Computation	23	Direct Debt Summary	41
Assessed Valuations and Tax Levies	24	Debt Ratios	42
Assessed Valuations by Class	24	Principal Payments by Purpose	42
Largest Taxpayers	25	Debt Service Requirements	43
State Equalized Valuation and Estimated Value		Authorized Unissued Debt	43
Tax Rate	25	Overlapping Debt	43
Abatements and Overlay	25	Contractual Obligations	44
Tax Collections	25	RETIREMENT PLAN	45
Tax Titles and Possessions	26	Other Post-Employment Benefits	46
Taxation to Meet Deficits	26	EMPLOYEE RELATIONS	47
Tax Limitations	27	LITIGATION	47
Tax Levies and Levy Limits	28	APPENDIX A - Fiscal 2011 Audit	
Pledged Taxes	28	APPENDIX B - Proposed Forms of Legal Opinions	
Initiative Petitions	28	APPENDIX C - Proposed Form of	
Community Preservation Act	28	Continuing Disclosure Certificate	

The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

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SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Thursday, November 8, 2012, 11:00 A.M. (Eastern Standard Time).

Location of Sale: First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Shrewsbury, Massachusetts.

This Issue (the "Bonds"):
\$6,100,000 General Obligation Land Acquisition Bonds, Series A (Subject to Federal and Massachusetts Income Taxation)
\$681,000 General Obligation Water Bonds, Series B.

Official Statement Dated: November 8, 2012.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially November 15, 2013 through November 15, 2032 as detailed herein.

Purpose and Authority: Bond proceeds will be used to finance and refinance capital projects of the Town, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

Redemption: The Series A Bonds are subject to redemption prior to their stated maturity dates as described herein. The Series B Bonds are not subject to redemption prior to their stated maturity dates.

Security: The Series A Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Series A Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws. The Series B Bonds are valid and binding general obligations of the Town and except to the extent they are paid from other sources, the principal of and interest on the Series B Bonds are payable from taxes which may be levied upon all taxable property in the Town.

Credit Rating: Moody's Investors Service, Inc. has assigned a rating of Aa2 to the Bonds.

Purpose and Authority: The Series A Bond proceeds will be used to fund a land acquisition project and the Series B Bond proceeds will be used to fund water system improvements, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **No bid of less than par plus a premium of \$65,000 will be accepted on the Series A Bonds. No bid of less than par plus a premium of \$5,000 will be accepted on the Series B Bonds.**

Tax Exemption: Refer to "THE BONDS – Tax Matters relating to the Series A Bonds" and "THE BONDS – Tax Exemption of the Series B Bonds" herein and Appendix B, "Proposed Forms of Legal Opinions."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Series B Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The Series A Bonds will not be so designated.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts.

Legal Opinion: Edwards Wildman Palmer LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about November 15, 2012, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Ms. Carolyn Marcotte, Treasurer, Town of Shrewsbury, Massachusetts Telephone (508) 841-8509 or Mary Carney, Senior Vice President, First Southwest Company, Worcester, Massachusetts Telephone (508) 797-3035.

NOTICE OF SALE

TOWN OF SHREWSBURY, MASSACHUSETTS

**\$6,100,000 GENERAL OBLIGATION LAND ACQUISITION BONDS, SERIES A
(Subject to Federal and Massachusetts Income Taxation)**

and

\$681,000 GENERAL OBLIGATION WATER BONDS, SERIES B

The Town of Shrewsbury, Massachusetts, will receive sealed or electronic (as described herein) proposals until 11:00 A.M. (Eastern Time) on Thursday, November 8, 2012, for the purchase of each series of the following described Bonds of the Town:

\$6,100,000 General Obligation Land Acquisition Bonds, Series A (Subject to Federal and Massachusetts Income Taxation), payable on November 15 in the years and amounts as follows:

<u>Due November 15</u>	<u>Principal Amount</u>	<u>Due November 15</u>	<u>Principal Amount</u>
2013	\$ 305,000	2023 *	\$ 305,000
2014	305,000	2024 *	305,000
2015	305,000	2025 *	305,000
2016	305,000	2026 *	305,000
2017	305,000	2027 *	305,000
2018 *	305,000	2028 *	305,000
2019 *	305,000	2029 *	305,000
2020 *	305,000	2030 *	305,000
2021 *	305,000	2031 *	305,000
2022 *	305,000	2032 *	305,000

\$681,000 General Obligation Water Bonds, Series B, payable on November 15 in the years and amounts as follows:

<u>Due November 15</u>	<u>Principal Amount</u>
2013	\$ 71,000
2014	70,000
2015	70,000
2016	70,000
2017	70,000
2018	70,000
2019	65,000
2020	65,000
2021	65,000
2022	65,000

* Callable maturities. May be combined into one or two Term bonds as set forth below.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on November 15 of the years in which the Bonds mature. Interest will be payable on May 15 and November 15, commencing May 15, 2013.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof (except for one principal amount of \$1,000 with respect to the Series B Bonds maturing November 15, 2013), will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder for each series, as a condition to delivery of such Bonds, shall be required to deposit such Bonds with DTC, registered in the name of Cede &

Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to DTC participants will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds of each series to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser of each series without charge.

Principal and semiannual interest on each series of the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Series A Bonds maturing in the years 2013 through 2017, inclusive, will not be subject to redemption prior to maturity. The Series A Bonds maturing on and after November 15, 2018 shall be subject to redemption prior to maturity, at the option of the Town, on or after November 15, 2017, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Series A Bonds to be redeemed.

For the Series A Bonds maturing on November 15, 2018, and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemptions prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders for the Series A Bonds may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on November 15 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof, without premium.

The Series B Bonds are not subject to redemption prior to their stated maturity dates.

Bidders for each series of bonds shall state the rate or rates of interest per annum which the Bonds of each series are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate which exceeds the interest rate stated for any other Bonds of such series by more than 3 percent. No bid of less than par and accrued interest to date of delivery will be considered. **BIDS ON THE SERIES A BONDS MUST INCLUDE A PREMIUM OF AT LEAST \$65,000. BIDS ON THE SERIES B BONDS MUST INCLUDE A PREMIUM OF AT LEAST \$5,000.**

Bidding Parameters

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds of a series at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Carolyn Marcotte, Treasurer, Town of Shrewsbury, Massachusetts c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.

- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds of each series to the winning bidder for such series will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Shrewsbury has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service for a rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the Town.

It shall be a condition to the obligation of the successful bidder of each series of Bonds to accept delivery of and pay for the Bonds of such series that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated October 30, 2012, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town's Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated October 30, 2012.

The Series B Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended. The Series A Bonds will not be so designated.

Additional information concerning the Town of Shrewsbury and the Bonds is contained in the Preliminary Official Statement dated October 30, 2012, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 25 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Series B Bonds, the successful bidder for the Series B Bonds shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of November 8, 2012 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Series B Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Series B Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Series B Bonds have been offered

to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Series B Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Series B Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Series B Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Series B Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Series B Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about November 15, 2012 for settlement in federal funds.

TOWN OF SHREWSBURY, MASSACHUSETTS
/s/ Carolyn Marcotte, Treasurer

October 30, 2012

OFFICIAL STATEMENT

THE TOWN OF SHREWSBURY, MASSACHUSETTS

\$6,100,000 General Obligation Land Acquisition Bonds, Series A (Subject to Federal and Massachusetts Income Taxation)

and

\$681,000 General Obligation Water Bonds, Series B

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Shrewsbury, Massachusetts (the "Town"), in connection with the sale of its \$6,100,000 General Obligation Land Acquisition Bonds, Series A (Subject to Federal and Massachusetts Income Taxation) (the "Series A Bonds"), and its \$681,000 General Obligation Water Bonds, Series B (the "Series B Bonds", and together with the Series A Bonds the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds of each series will be dated as of their delivery date and will bear interest payable semiannually on May 15 and November 15 of each year until maturity, commencing May 15, 2013, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated October 30, 2012. The Bonds of each series shall mature on November 15 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of one \$1,000 denomination of the Series B Bonds maturing November 15, 2013. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

Redemption Provisions

The Series B Bonds are not subject to redemption prior to their stated maturity dates.

The Series A Bonds are subject to redemption prior to their stated maturity dates, as described below.

Optional Redemption – Series A Bonds

The Series A Bonds maturing on or prior to November 15, 2017 shall not be subject to redemption prior to their stated maturity dates. The Series A Bonds maturing on or after November 15, 2018 shall be subject to redemption prior to maturity, at the option of the Town, on or after November 15, 2017, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Series A Bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption – Series A Bonds

Term Bonds, if any are specified by the successful bidder for the Series A Bonds, shall be subject to mandatory redemption commencing on November 15 of the first year which has been combined to form such Term Bonds and continuing on November 15 in each year thereafter until the stated maturity date of any such Term Bonds. The amount redeemed or paid at maturity in any years shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated October 30, 2012 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Series A Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption – Series A Bonds

So long as DTC is the registered owner of the Series A Bonds, notice of any redemption of Series A Bonds prior to their maturities, specifying the Series A Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than sixty (60) days nor less than thirty (30) days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it, DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The Series A Bonds:

<u>This Issue</u>	<u>Purpose</u>	<u>Bond Anticipation Notes Outstanding</u>	<u>Original Bond Authorization</u>	<u>Statutory Reference (Massachusetts General Laws, as amended)</u>	<u>Date of Authorization and Article</u>
\$ 6,100,000	Land Acquisition (1)	\$ 6,100,000 (2)	\$ 6,100,000	Ch. 493 of the Acts of 2002 and G.L. Ch. 44, s. 7(3)	9/9/2002 (art. 2)

- (1) On September 23, 2002, the Town voted to exempt debt service on these Bonds from the limits of Proposition 2 1/2 , so called.
 (2) This issue will retire a like amount of bond anticipation notes at maturity.

The Series B Bonds:

<u>This Issue</u>	<u>Purpose</u>	<u>Bond Anticipation Notes Outstanding</u>	<u>Original Bond Authorization</u>	<u>Statutory Reference (Massachusetts General Laws, as amended)</u>	<u>Date of Authorization and Article</u>
\$ 681,000	Water System Improvements	\$ 700,000 (1)	\$ 1,750,000	G.L. Ch. 44, s. 8(5)	5/17/2006 (art. 34)

- (1) This issue, along with \$19,000 of revenue funds of the Town, will retire a like amount of bond anticipation notes at maturity.

Principal Maturities by Purpose

<u>Maturity</u>	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
	<u>Land Acquisition (1)</u>	<u>Water (2)</u>	
2013	\$ 305,000	\$ 71,000	\$ 376,000
2014	305,000	70,000	375,000
2015	305,000	70,000	375,000
2016	305,000	70,000	375,000
2017	305,000	70,000	375,000
2018	305,000	70,000	375,000
2019	305,000	65,000	370,000
2020	305,000	65,000	370,000
2021	305,000	65,000	370,000
2022	305,000	65,000	370,000
2023	305,000	-	305,000
2024	305,000	-	305,000
2025	305,000	-	305,000
2026	305,000	-	305,000
2027	305,000	-	305,000
2028	305,000	-	305,000
2029	305,000	-	305,000
2030	305,000	-	305,000
2031	305,000	-	305,000
2032	305,000	-	305,000
Total	\$ 6,100,000	\$ 681,000	\$ 6,781,000

- (1) On September 23, 2002, the Town voted to exempt debt service on these Bonds from the limits of Proposition 2 1/2, so called.
 (2) Self-supporting.

Tax Matters Relating to the Series A Bonds

In the opinion of Bond Counsel, under existing law, interest on the Series A Bonds is included in gross income for federal income tax purposes under the Code. Bond Counsel expresses no opinion regarding any other federal tax law consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series A Bonds.

Bond Counsel is also of the opinion that, under existing law, interest on the Series A Bonds is subject to the Massachusetts personal income tax. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Series A Bonds or any tax consequences arising with respect to the Series A Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to beneficial owners of the Series A Bonds that acquire their Series A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors who hold their Series A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, the following discussion does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a beneficial owner of Series A Bonds. In addition, this summary generally is limited to investors who become beneficial owners of Series A Bonds pursuant to the initial offering for the issue price that is applicable to such Series A Bonds (i.e., the price at which a substantial amount of such Series A Bonds is first sold to the public) and who will hold their Series A Bonds as "capital assets" within the meaning of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series A Bond who for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust with respect to which a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series A Bond (other than a partnership) who is not a U.S. Holder. If an entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of Series A Bonds, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the tax consequences of an investment in the Series A Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series A Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

"Original issue discount" will arise for U.S. federal income tax purposes in respect of any Series A Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). For any Series A Bonds issued with original issue discount, the excess of the stated redemption price at maturity of that Series A Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a Series A Bond is the sum of all scheduled amounts payable on such Series A Bond other than qualified stated interest. U.S. Holders of Series A Bonds generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Series A Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

“Premium” generally will arise for U.S. federal income tax purposes in respect of any Series A Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series A Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series A Bond.

Disposition of the Series A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder of a Series A Bond generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series A Bond which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Series A Bond (generally, the purchase price paid by the U.S. Holder for the Series A Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Series A Bond and decreased by any payments previously made on such Series A Bond, other than payments of qualified stated interest, or decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. Defeasance or material modification of the terms of any Series A Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the defeased Series A Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner’s adjusted tax basis in the Series A Bond.

In the case of a non-corporate U.S. Holder of the Series A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain may be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder’s holding period for the Series A Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax on Unearned Income. The Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) requires certain U.S. holders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest and gains from the sale or other disposition of the Series A Bonds for taxable years beginning after December 31, 2012. U.S. holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Series A Bonds.

Non-U.S. Holders

The following discussion applies only to non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a non-U.S. Holder that is a “controlled foreign corporation” or a “passive foreign investment company,” and, accordingly, non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of holding the Series A Bonds that may be relevant to them.

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any Series A Bond to a Non-U.S. Holder, other than a bank which acquires such Series A Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, generally will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series A Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Series A Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such Series A Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding—U.S. Holders and non-U.S. Holders

Interest on, and proceeds received from the sale of, a Series A Bond generally will be reported to U.S. Holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the Series A Bonds if the U.S. Holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the U.S. Holder's federal income tax returns.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the Series A Bonds if such non-U.S. Holder has certified to the payor under penalties of perjury (i) the name and address of such non-U.S. Holder and (ii) that such non-U.S. Holder is not a United States person, or, in the case of an individual, that such non-U.S. Holder is neither a citizen nor a resident of the United States, and the payor does not know or have reason to know that such certifications are false. However, information reporting on IRS Form 1042-S may still apply to interest payments on the Series A Bonds made to non-U.S. Holders not subject to backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding with respect to the proceeds of the sale of a Series A Bond made within the United States or conducted through certain U.S. financial intermediaries if the payor receives the certifications described above and the payor does not know or have reason to know that such certifications are false, or if the non-U.S. Holder otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding the application of information reporting and backup withholding in their particular circumstances, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Beneficial Owner of Series A Bonds in light of the Beneficial Owner's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series A Bonds, including the application and effect of state, local, foreign and other tax laws.

Circular 230 Disclaimer

The preceding tax matters discussion related to the Series A Bonds is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under federal tax law in connection with the Series A Bonds. Such discussion was written to support the promotion or marketing of the Series A Bonds. Each purchaser of the Series A Bonds should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

Tax Exemption of the Series B Bonds

In the opinion of Bond Counsel to the Town, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The Series B Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds. Failure to comply with these requirements may result in interest on the Series B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series B Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Series B Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series B Bonds is exempt from Massachusetts personal income taxes, and the Series B Bonds are exempt from Massachusetts personal property taxes.

Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Series B Bonds. Prospective Bondholders should be aware, however, that the Series B Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series B Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences or as to the taxability of the Series B Bonds or the income therefrom or any other tax consequences arising with respect to the Series B Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Series B Bonds is less than the amount to be paid at maturity of such Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series B Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Series B Bonds is the first price at which a substantial amount of such maturity of the Series B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series B Bonds accrues daily over the term to maturity of such Series B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series B Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series B Bonds in the original offering to the public at the first price at which a substantial amount of such Series B Bonds is sold to the public.

Series B Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series B Bonds, or, in some cases, at the earlier redemption date of such Series B Bonds ("Premium Series B Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Series B Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Series B Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series B Bonds may adversely affect the value of, or the tax status of interest on, the Series B Bonds.

Prospective Bondholders of the Series B Bonds should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Series B Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders of the Series B Bonds from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Series B Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Series B Bonds. Prospective Bondholders of the Series B Bonds are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series B Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Series B Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Types of Obligations- Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority, MBTA or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority “MWRA” if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority “MSBA”, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The purchaser of each series will be furnished the legal opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts (“Bond Counsel”) with respect to such series. The opinion for such series will be dated and given on and will speak only as of the date of original delivery of such series of Bonds to the successful bidder for such series. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Rating

Moody’s Investors Service has assigned a rating of Aa2 to the Bonds. Said rating reflects the rating agency’s views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Shrewsbury, Massachusetts.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

TOWN OF SHREWSBURY, MASSACHUSETTS

General

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

PRINCIPAL TOWN OFFICIALS

Title	Name	Manner of Selection	Term Expires
Selectmen, Chair	Maurice M. DePalo	Elected	May 2014
Selectmen, Vice Chair	Henry Fitzgerald	Elected	May 2014
Selectman	Moiria Miller	Elected	May 2013
Selectman	John I. Lebeaux	Elected	May 2013
Selectman	James F. Kane	Elected	May 2015
Town Manager	Daniel J. Morgado	Appointed	September 2015
Treasurer/Collector	Carolyn J. Marcotte	Appointed	March 2013
Town Accountant	Mary E. Thompson	Appointed	December 2013
Town Clerk	Sandra E. Wright	Appointed	March 2015
Town Counsel	T. Phillip Leader	Appointed	June 2013

Municipal Services

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

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

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

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

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

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

Education

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

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

PUBLIC SCHOOL ENROLLMENTS OCTOBER 1,

	Actual						Projected
	2007	2008	2009	2010	2011	2012	2013
Elementary (PreK - 4)	2,882	2,863	2,875	2,437	2,973	2,450	2,088
Middle School (5 - 8)	1,384	1,403	1,341	1,819	1,366	1,366	1,932
High School (9 - 12)	1,629	1,639	1,625	1,634	1,618	1,631	637
Totals	5,895	5,905	5,841	5,890	5,957	5,447	4,657

Industry and Commerce

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

EMPLOYMENT AND PAYROLLS

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

Industry	Calendar Year Average				
	2007	2008	2009	2010	2011
Construction	576	592	476	441	460
Manufacturing	1,071	1,053	911	813	715
Trade, Transportation & Utilities	5,341	5,590	5,190	4,955	4,951
Information	181	212	197	171	160
Financial Activities	412	377	387	392	388
Professional and Business Services	536	487	704	830	664
Education and Health Services	2,991	2,328	3,511	3,737	3,948
Leisure and Hospitality	1,030	1,072	991	989	1,044
Other Services	436	418	304	333	360
Total Employment	12,574	12,129	12,671	12,661	12,690
Number of Establishments	841	840	829	873	906
Average Weekly Wages	\$ 832	\$ 855	\$ 864	\$ 873	\$ 864
Total Wages	\$ 554,830,489	\$ 589,805,852	\$ 580,419,469	\$ 585,440,741	\$ 580,232,106

LARGEST EMPLOYERS

Name	Type of Business	Approximate No. of Employees
Umass Medical	Administration	1,300
Mescaster Company, Inc. (UPS)	Parcel Delivery	1,275
United States Postal Service	Distribution Facility	517
Metso Automation	Manufacturing	400
Home Depot	Retail	294
Irving A. Glavin Regional Health Center	Regional Mental Health Center	200
Medical School (Worcester Foundation)	Research Lab	175
Siemens Water Technology	Electronics/ Electrical Engineering	125
Christmas Tree Shops	Retail	92
Seagate Technologies	Technology	75

SOURCE: The individual employers listed.

Labor Force, Employment and Unemployment

UNEMPLOYMENT RATES

The following table sets for the Labor force and unemployment rates for the Town of Shrewsbury as well as the unemployment rates for the Commonwealth and the United States for the years indicated.

Year	Town of Shrewsbury		Massachusetts Unemployment Rate	United States Unemployment Rate
	Labor Force	Unemployment Rate		
2012 (July)	18,087	5.8 %	6.6 %	8.6 %
2011	18,235	6.0	7.4	9.0
2010	17,467	7.4	8.5	9.6
2009	17,498	7.2	8.1	9.3
2008	17,436	4.3	5.3	5.8

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

BUILDING PERMITS

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

Calendar Year	New Construction				Additions/Alterations		Total	
	Residential		Non-Residential		No.	Value	No.	Value
	No.	Value	No.	Value				
2012 (1)	40	\$12,262,970	6	\$2,980,805	650	\$11,380,653	696	\$26,624,428
2011	57	17,310,042	4	44,709,329	777	23,343,474	838	85,362,845
2010	69	18,927,330	5	10,187,383	696	12,821,274	770	41,935,987
2009	61	15,465,630	3	3,554,000	695	28,614,175	759	47,633,805
2008	28	7,923,400	2	1,195,000	741	17,682,760	771	26,801,160

SOURCE: Report of the Building Inspector.

(1) As of September 1, 2012.

Population and Income

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

	POPULATION AND INCOME (1)		
	<u>Shrewsbury</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2000	37.6	36.5	35.3
1990	33.7	33.6	32.9
Median Family Income:			
2000	\$64,237	\$ 61,664	\$50,046
1990	53,208	44,367	35,225
Per Capita Income:			
2000	\$31,570	\$ 25,952	\$21,587
1990	20,508	17,224	14,420

(1) Estimate by Federal Census Bureau

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

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

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

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

TAX LEVY COMPUTATION

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Projected Fiscal 2013
Total Appropriations(1)	\$96,506,912	\$94,830,381	\$95,005,238	\$101,508,248	\$104,058,751
Additions:					
State and County Assessments	1,502,535	1,816,393	1,756,414	1,983,115	1,896,977
Overlay Reserve	583,630	758,895	598,458	715,020	600,000
Other Additions	89,179	77,756	172,405	170,821	160,013
Total Additions	2,175,344	2,653,044	2,527,277	2,868,956	2,656,990
Gross Amount to be Raised	98,682,256	97,483,424	97,532,515	104,377,204	106,715,741
Deductions:					
Local Estimated Receipts	12,778,000	11,743,000	12,386,500	13,023,959	13,103,500
State Aid(2):					
Current Year	26,849,796	25,441,123	25,163,474	24,893,298	21,776,139
Available Funds(3):					
Free Cash	2,999,999	1,310,000	1,431,069	3,396,791	3,067,495
Municipal Light	150,384	150,384	150,384	150,384	175,463
Cable Television	556,355	626,307	732,356	723,720	753,254
Free Cash & Other Revenue Used to Reduce the Tax Rate	500,000	500,000	500,000	500,000	500,000
Other Available Funds	6,786,965	8,609,883	7,090,284	8,680,067	8,037,099
Total Deductions	50,621,499	48,380,697	47,454,067	51,368,219	47,412,950
Net Amount to be Raised (Tax Levy)	\$48,060,757	\$49,102,727	\$50,078,448	\$53,008,985	\$59,302,791

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. See "Reduction in State Aid" below.
- (3) Transfers from other available funds, including "free cash", generally made as an offset to a particular appropriation item.

Reduction in State Aid

State aid for fiscal year 2013 is expected to total \$19,741,759, an increase of 1.8% over that of fiscal year 2012. While still below the high-water mark set in fiscal year 2008, the erosion of State Aid has not led to widespread layoffs or service curtailments. The Town continues to deal with state aid reductions through the judicious use of reserves and scaling back in spending by reducing employee counts wherever possible. The various municipal departments now operate with fewer benefit eligible employees than in fiscal year 1998. In place, the Town is very aggressive in the area of contracting administrative, public works and public facilities operations. Employees and Non-Medicare eligible retirees are also paying a higher percentage for health insurance coverage. A 2% shift in contribution rates for affected employees took

effect on July 1, 2012. In addition, limited part time employees are used among the various departments to reduce benefit costs. The School department has also eliminated positions where possible to keep staffing level increases to a minimum. Fiscal Year 2013 staffing levels for the School Department should be below 700 Full Time Equivalents (FTE) based on current projections. In fiscal year 2008 there were 734 FTE's. The biggest challenge is dealing with reductions in Federal stimulus funding that was received in fiscal years 2011 and 2012.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

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

Professional revaluations of all real and personal property in the Town to full and fair cash value were completed for use in fiscal year 2010.

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Rate Per \$1,000 of Valuation	Tax Rate Per Capita
2012	\$4,704,088,465	\$67,197,324	\$4,771,285,789	\$53,008,985	\$11.11	\$1,489
2011	4,619,987,060	73,400,790	4,693,387,850	50,078,448	10.67	1,406
2010 (1)	4,694,474,220	68,156,942	4,762,631,162	49,102,727	10.31	1,379
2009	4,910,204,408	54,749,702	4,964,954,110	48,060,756	9.68	1,350
2008	4,971,468,600	46,529,857	5,017,998,457	45,864,506	9.14	1,288

(1) Revaluation year.

Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate in fiscal years 2010, 2011 and 2012.

Property Type	2010 (1)		2011		2012
	Amount	% of Total	Amount	% of Total	Amount
Residential	\$4,183,776,708	87.8 %	\$4,112,103,552	87.6 %	\$4,143,388,090
Commercial	353,305,798	7.4	352,958,094	7.5	400,907,561
Industrial	157,391,714	3.3	154,925,414	3.3	159,792,814
Open Space	0	0.0	0	0.0	0
Personal	68,156,942	1.4	73,400,790	1.6	67,197,324
Total Real Estate	\$4,762,631,162	100.0 %	\$4,693,387,850	100.0 %	\$4,771,285,789

(1) Revaluation year.

LARGEST TAXPAYERS

The following table lists the largest taxpayers in the Town based upon assessed valuations for fiscal year 2012.

Name	Nature of Business	Total Assessed Valuation for Fiscal 2012
Charles River Laboratories, Inc.	Research	\$39,330,464
White City Partners LLC	Shopping Center	34,540,600
Avalon Bay Shrewsbury, Inc.	Apartments	31,666,500
Arbor Commons Realty LLC	Apartments	27,387,500
Southgate at Shrewsbury Inc.	Assisted Living	24,134,500
SSB Realty LLC	Real Estate	24,024,200
Shrewsbury Village Ltd. Prtnsp.	Retail Stores	20,895,500
White City East Partners LLC	Shopping Center	19,212,800

State Equalized Valuation

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

January 1,	State Equalized Valuation	% Change
2012	\$ 5,071,030,400 (proposed)	0.13 %
2010	5,064,277,500	(6.60)
2008	5,422,224,900	7.54
2006	5,041,995,700	18.91
2004	4,240,111,400	30.15
2002	3,257,882,400	36.38

Abatements and Overlay

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

The following table sets forth the amount of the overlay reserve for the following fiscal years and actual abatements granted against each levy through June 30, 2012.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through June 30, 2012
		Dollar Amount	As a % of Net Levy	
2012	\$52,293,965	\$715,019	1.4 %	\$227,089
2011	49,479,990	598,458	1.2	265,736
2010	48,343,832	758,895	1.6	327,568
2009	47,477,126	583,630	1.2	327,904

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

Tax Collections

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

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2012 (1)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2012	\$ 53,008,985	\$ 715,020	\$ 52,293,965	\$ 52,422,071	100.2 %	\$ 52,422,071	100.2 %
2011	50,078,448	598,458	49,479,990	49,339,685	99.7	49,657,367	100.4
2010	49,102,727	758,895	48,343,832	48,202,276	99.7	48,580,160	100.5
2009	48,060,756	583,630	47,477,126	46,007,576	96.9	46,953,084	98.9
2008	45,864,506	545,199	45,319,307	44,713,267	98.7	45,448,033	100.3

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

Tax Titles and Possessions

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

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

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

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

Fiscal Year	Total Tax Titles and Possessions
2012	\$476,000
2011	442,821
2010	867,408
2009	728,204
2008	561,429

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations.

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

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

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

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

The table below presents the Town's primary levy limits, its maximum levy limits, and its actual tax levies for fiscal years 2008 through 2012.

Unused Levy Capacity

	2008	2009	2010	2011	2012
Primary Levy Limit (2)	\$ 125,449,961	\$ 124,123,853	\$ 119,065,779	\$ 117,334,696	\$ 119,282,145
Prior Fiscal Year Levy Limit	41,119,263	42,708,480	44,301,335	45,822,874	47,484,083
2.5% Levy Growth	1,027,982	1,067,712	1,107,533	1,145,572	1,187,102
Current Fiscal Year New Growth (3)	561,235	525,143	414,006	515,637	603,407
Growth Levy Limit	42,708,480	44,301,335	45,822,874	47,484,083	49,274,592
Debt Exclusions	3,188,290	3,792,679	3,363,018	2,624,450	3,744,292
Maximum Tax Levy Limit	45,896,770	48,094,014	49,185,892	50,108,533	53,018,884
Tax Levy	45,864,506	48,060,756	49,102,727	50,078,448	53,008,985
Unused Levy Capacity (4)	<u>\$ 32,264</u>	<u>\$ 33,258</u>	<u>\$ 83,165</u>	<u>\$ 30,085</u>	<u>\$ 9,899</u>
Unused Primary Levy Capacity (5)	<u>\$ 82,741,481</u>	<u>\$ 79,822,518</u>	<u>\$ 73,242,905</u>	<u>\$ 69,850,613</u>	<u>\$ 70,007,553</u>

- (1) Source: Massachusetts Department of Revenue.
- (2) 2.5% of assessed valuation.
- (3) Allowed increase for new valuations – certified by the Department of Revenue.
- (4) Maximum Levy Limit less Tax Levy.
- (5) Primary Levy Limit less Growth Levy Limit.

Pledged Taxes

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

Initiative Petitions

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

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAX"). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provision of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge base on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has not adopted the Community Preservation Act.

TOWN FINANCES

Budget and Appropriation Process

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

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

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

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

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

Budget Trends

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

BUDGET COMPARISON

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
General Government	\$14,802,857	\$15,032,554	\$15,598,059	\$16,057,176
Protection of Persons	7,063,540	7,064,285	7,027,820	7,407,029
Health and Sanitation	476,619	570,998	500,311	505,808
Public Works	4,453,118	4,381,983	4,312,891	4,442,121
Human Services, Library and Recreation	1,513,364	1,548,280	1,543,851	1,450,828
Education	44,601,695	47,139,676	47,139,678	49,864,477
Debt and Interest	8,768,221	7,909,324	8,173,542	9,767,056
Employee Benefits	2,629,497	2,680,129	3,201,909	3,320,189
State Assessments	1,816,393	1,737,559	1,987,146	1,869,970
	<u>\$86,125,304</u>	<u>\$88,064,788</u>	<u>\$89,485,207</u>	<u>\$94,684,654</u>

Revenues

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

State Aid: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax

receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate. In fiscal 2011, state aid in the general fund totaled \$21,509,839. In fiscal 2012, state aid in the general fund totaled \$21,542,922. It is anticipated that the Town will receive \$21,776,139 in state aid for fiscal 2013.

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

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

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

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

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

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

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. In fiscal year 2011, excise tax receipts for fiscal 2011 were \$4,437,527. In fiscal year 2012, excise tax receipts for fiscal 2012 were \$4,507,317.

Water Rates and Services: The Town's Water Department provides water services to most residential, industrial and commercial users within the Town, charging them on the basis of metered consumption. Operations of the Water Department are self-supporting. In fiscal year 2011, water operating revenues totaled \$3,642,143 and expenditures totaled \$2,529,160. In fiscal year 2012, water operating revenues totaled \$3,413,506 and expenditures totaled \$1,866,692.

Sewer Rates and Services: The Town's Sewer Department provides services to most residential, industrial and commercial users within the Town, charging them on the basis of metered water consumption. In fiscal year 2011, sewer operating revenues totaled \$5,065,552 and expenditures totaled \$3,753,288 including the Town's share of debt service on the Westborough Treatment Facility totaling \$2,521,229. In fiscal year 2012, sewer operating revenues totaled \$6,868,656 and expenditures totaled \$5,465,905 including the Town's share of debt service on the Westborough Treatment Facility totaling \$3,238,029. See "INDEBTEDNESS – Contractual Obligations below."

Enterprise Funds: The Town's municipal electric light and cable television department is a substantial enterprise that provides significant contributions to the general fund. The department is accounted for as an enterprise fund on a December 31 calendar year and is separate from the general funds of the Town. In fiscal 2011, electric light and cable contributed \$882,740 to the general fund to offset the tax rate and \$752,267 for its share of debt service applicable to the enterprise fund. In fiscal 2012, electric light and cable contributed \$928,717 to the general fund to offset the tax rate and \$709,410 for its share of debt service applicable to the enterprise fund.

Local Options Meals Tax and Hotel/Motel Tax: On November 3, 2009, the Town voted to impose a 0.75% local option meals tax, and increased its hotel/motel tax rate from 4% to 6%. Together, these local options meals and hotel/motel taxes generated \$419,460 in revenue during fiscal 2011, and are expected to generate \$433,959 during fiscal 2012.

Annual Audits

The Town's accounts were independently audited for the fiscal year ended June 30, 2011 by Thomas J. Scanlon, CPA and Associates, of South Deerfield, Massachusetts. The audited financial statements for fiscal year ended June 30, 2011 are attached hereto as Appendix A.

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

Financial Statements

Set forth on the following pages is a Combined Balance Sheet as of June 30, 2012 (draft), Governmental Funds Balance Sheets as of June 30, 2011, June 30, 2010 and June 30, 2009 and a Comparative Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for fiscal years 2007 through 2011. Said financial statements were extracted from the Town's annual audits and then combined for purposes of this presentation, with the exception of 2012 statements which were extracted from draft unaudited financials of the Town and are therefore subject to revision and change.

Town of Shrewsbury
Combined Balance Sheet All Fund Types and Account Groups
June 30, 2012 (1)

Asset	General Fund	Special Revenue	Capital Project	Enterprise	Trust Agency	Long Term Debt	Fixed Assets	Total
Cash & Investments	\$ 16,589,375	\$ 18,966,092	\$ 16,163,799	\$ 13,223,229	\$ 6,863,145			\$ 71,805,640
Petty Cash	1,500							1,500
Account Receivable :								-
Property Taxes (RE,PP, Supp)	324,614							324,614
Prepaid Prop Taxes (2013)	(46,565)							(46,565)
Excise Taxes	710,275							710,275
Tax Liens	474,249							474,249
Deferred Property Taxes	21,647							21,647
Taxes in Litigation	10,763							10,763
Departmental								-
User Charges	390,817	839,718		4,145,611				5,376,146
Title V Loan		-						-
Special Assessments	649	21,297						21,946
Special Assessments Not Due	152,898	700,878						853,776
Less: Allowance for Uncollectable	(1,120,011)							(1,120,011)
Due from General Fund								-
Due from Governments		1,920,972						1,920,972
Tax Foreclosures	239,562							239,562
Land and Buildings							218,250,600	218,250,600
Amounts To Be Provided for:								-
Compensated Absences						1,221,785		1,221,785
Payment of BANS			10,425,000					10,425,000
Payment of Bonds				1,529,000		66,696,636		68,225,636
Total Assets	\$ 17,749,773	\$ 22,448,957	\$ 26,588,799	\$ 18,897,840	\$ 6,863,145	\$ 67,918,421	\$ 218,250,600	\$ 378,717,535
Liabilities								
Employee Withholdings	\$ -	\$ -	\$ -	\$ -	\$ 477,198	\$ -	\$ -	\$ 477,198
Deferred Revenue:								-
Prepaid Taxes	(46,565)							(46,565)
Property Taxes	(795,397)							(795,397)
Due from State		1,920,972						1,920,972
Other	1,847,963	861,015		4,145,611				6,854,588
Special Assessments Not Due	152,898	700,878						853,776
Due to Treasury Fund								-
Compensated Absences						1,221,785		1,221,785
Grant Anticipation Notes Payable								-
BAN Anticipation Notes Payable			10,425,000					10,425,000
Bond Indebtedness				1,529,000		66,696,636		68,225,636
Accounts Payable	(3,402)							(3,402)
Tailings	357,056							357,056
Total Liabilities	1,512,552	3,482,865	10,425,000	5,674,611	477,198	67,918,421	-	89,490,647
Fund Equity								
Reserve for Encumbrances	4,368,186							4,368,186
Reserve for Court Judgments								-
Petty Cash				500				500
Unreserved	6,956,496	5,158,954		13,162,729				25,278,179
Designated For Subsequent Years'	3,592,725	13,807,137	16,163,799	60,000	6,385,947			40,009,608
Designated For Debt Expense	1,319,816							1,319,816
Investment in Fixed Assets							218,250,600	218,250,600
Bonds Authorized (Memo)	30,728,125							30,728,125
Bonds Authorized & Unissued (Memo)	(30,728,125)							(30,728,125)
Total Fund Equity	16,237,221	18,966,092	16,163,799	13,223,229	6,385,947	-	218,250,600	289,226,888
Total Liabilities and Fund Equity	\$ 17,749,773	\$ 22,448,957	\$ 26,588,799	\$ 18,897,840	\$ 6,863,145	\$ 67,918,421	\$ 218,250,600	\$ 378,717,535

(1) Extracted from draft financial statements, subject to revision and change.

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011 (1)**

	General Fund	Sherwood Middle School Construction Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 7,007,340	\$ 1,978,986	\$ 43,540	\$ 1,558,249	\$ 10,588,115
Investments	14,815,815	18,475,929	-	10,641,270	43,933,014
Receivables, net of allowance for uncollectibles:					
Property Taxes	434,032	-	-	-	434,032
Deferred Property Taxes	28,688	-	-	-	28,688
Taxes in Litigation	8,379	-	-	-	8,379
Tax Liens	368,003	-	-	-	368,003
Excise Taxes	302,616	-	-	-	302,616
User Charges	371,096	-	-	-	371,096
Special Assessments	181,519	-	-	100,189	281,708
Due from Governments	28,454,593	626,534	-	2,066,622	31,147,749
Total Assets	\$ 51,972,081	\$ 21,081,449	\$ 43,540	\$ 14,366,330	\$ 87,463,400
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Warrants Payable	\$ 2,354,454	\$ 1,907,847	\$ -	\$ 139,062	\$ 4,401,363
Accrued Payroll	3,101,010	-	-	365,558	3,466,568
Payroll Withholdings	701,872	-	-	-	701,872
Tax Refund Payable	42,000	-	-	-	42,000
Taxes Collected in Advance	62,516	-	-	-	62,516
Other	331,948	-	-	-	331,948
Deferred Revenue:					
Property Taxes	219,032	-	-	-	219,032
Other	29,703,162	-	-	1,539,921	31,243,083
Bond Anticipation Notes Payable	-	22,900,000	6,100,000	1,380,000	30,380,000
Total Liabilities	36,515,994	24,807,847	6,100,000	3,424,541	70,848,382
Fund Balance:					
Restricted	528,723	-	-	9,142,847	9,671,570
Committed	-	-	-	2,436,894	2,436,894
Assigned	6,852,945	-	-	42,048	6,894,993
Unassigned	8,074,419	(3,726,398)	(6,056,460)	(680,000)	(2,388,439)
Total Fund Balance	15,456,087	(3,726,398)	(6,056,460)	10,941,789	16,615,018
Total Liabilities and Fund Balance	\$ 51,972,081	\$ 21,081,449	\$ 43,540	\$ 14,366,330	\$ 87,463,400

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010 (1)**

	General Fund	Stabilization Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 5,977,001	\$ -	\$ 43,555	\$ 1,715,121	\$ 7,735,677
Investments	14,283,862	155,692	-	9,625,315	24,064,869
Receivables, net of allowance for uncollectibles:					
Property Taxes	467,105	-	-	-	467,105
Deferred Property Taxes	27,472	-	-	-	27,472
Taxes in Litigation	4,095	-	-	-	4,095
Tax Liens	541,191	-	-	-	541,191
Excise Taxes	287,492	-	-	-	287,492
User Charges	336,580	-	-	-	336,580
Special Assessments	195,814	-	-	107,493	303,307
Due from Governments	31,026,794	-	-	2,061,374	33,088,168
Total Assets	\$ 53,147,406	\$ 155,692	\$ 43,555	\$ 13,509,303	\$ 66,855,956
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Warrants Payable	\$ 1,137,612	\$ -	\$ -	\$ 402	\$ 1,138,014
Accrued Payroll	2,945,008	-	-	229,071	3,174,079
Employee Withholdings	1,728,217	-	-	-	1,728,217
Tax Refund Payable	103,000	-	-	-	103,000
Taxes Collected in Advance	77,969	-	-	-	77,969
Other	331,948	-	-	-	331,948
Deferred Revenue:					
Property Taxes	240,105	-	-	-	240,105
Other	32,350,664	-	-	1,735,996	34,086,660
Bond Anticipation Notes Payable	-	-	6,100,000	700,000	6,800,000
Total Liabilities	38,914,523	-	6,100,000	2,665,469	47,679,992
Fund Balance:					
Reserved for:					
Encumbrances and continuing appropriations	3,827,036	-	-	-	3,827,036
Payment of Debt	569,394	-	-	-	569,394
Unreserved:					
Designated for subsequent year's expenditures	2,420,676	-	-	654,096	3,074,772
Undesignated, reported in:					
General Fund	7,415,777	-	-	-	7,415,777
Special Revenue	-	155,692	-	6,455,629	6,611,321
Capital Projects	-	-	-	1,881,197	1,881,197
Permanent Funds	-	-	(6,056,445)	1,852,912	(4,203,533)
Total Fund Balance	14,232,883	155,692	(6,056,445)	10,843,834	19,175,964
Total Liabilities and Fund Balance	\$ 53,147,406	\$ 155,692	\$ 43,555	\$ 13,509,303	\$ 66,855,956

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009 (1)**

	General Fund	Stabilization Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,374,266	\$ -	\$ 51,487	\$ 178,867	\$ 2,604,620
Investments	15,958,244	641,497	-	11,724,816	28,324,557
Receivables, net of allowance for uncollectibles:					
Property Taxes	420,165	-	-	-	420,165
Deferred Property Taxes	26,334	-	-	-	26,334
Taxes in Litigation	9,403	-	-	-	9,403
Tax Liens	424,486	-	-	-	424,486
Excise Taxes	250,928	-	-	-	250,928
User Charges	326,427	-	-	-	326,427
Special Assessments	216,771	-	-	120,123	336,894
Due from Governments	33,932,462	-	-	1,489,088	35,421,550
Total Assets	\$ 53,939,486	\$ 641,497	\$ 51,487	\$ 13,512,894	\$ 68,145,364
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Warrants Payable	\$ 1,040,275	\$ -	\$ -	\$ 476	\$ 1,040,751
Accrued Payroll	3,259,038	-	-	169,973	3,429,011
Employee Withholdings	880,632	-	-	-	880,632
Tax Refund Payable	125,300	-	-	-	125,300
Taxes Collected in Advance	103,221	-	-	-	103,221
Other	313,586	-	-	-	313,586
Deferred Revenue:					
Property Taxes	234,165	-	-	-	234,165
Other	35,049,780	-	-	1,395,289	36,445,069
Bond Anticipation Notes Payable	-	-	6,100,000	-	6,100,000
Total Liabilities	41,005,997	-	6,100,000	1,565,738	48,671,735
Fund Balance:					
Reserved for:					
Encumbrances and continuing appropriations	5,134,307	-	-	-	5,134,307
Payment of Debt	610,065	-	-	-	610,065
Unreserved:					
Designated for subsequent year's expenditures	1,361,608	496,000	-	733,128	2,590,736
Undesignated, reported in:					
General Fund	5,827,509	-	-	-	5,827,509
Special Revenue	-	145,497	-	6,668,601	6,814,098
Capital Projects	-	-	(6,048,513)	2,752,273	(3,296,240)
Permanent Funds	-	-	-	1,793,154	1,793,154
Total Fund Balance	12,933,489	641,497	(6,048,513)	11,947,156	19,473,629
Total Liabilities and Fund Balance	\$ 53,939,486	\$ 641,497	\$ 51,487	\$ 13,512,894	\$ 68,145,364

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

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

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Revenues					
Taxes	\$ 44,294,371	\$ 45,558,173	\$ 47,047,914	\$ 48,803,700	\$ 50,135,654
State Receipts	23,934,895	26,193,681	24,503,098	25,576,832	25,362,355
Excise and Other Taxes	4,500,517	4,965,665	4,436,417	4,329,451	4,892,206
License, Permits, Fees	5,403,134	6,192,617	6,207,320	1,534,934	1,868,161
Interest and Penalties on Delinquent Taxes	202,231	207,112	242,219	219,585	281,400
Investment Income:					
Interest	1,929,594	2,318,394	983,451	1,214,017	719,919
Net increase (decrease) in Fair Market Value of Investments(2)	-	-	-	-	-
Other	5,792,413	6,305,652	6,620,801	11,338,724	12,093,561
Total Revenues	86,057,155	91,741,294	90,041,220	93,017,243	95,353,256
Expenditures					
General Government	5,580,920	5,862,597	5,812,493	5,695,461	6,128,448
Protection of Persons	7,031,943	7,272,543	7,545,071	7,467,586	6,975,007
Health and Human Services	2,211,883	2,361,842	733,338	594,993	586,188
Public Works	4,360,067	4,861,217	5,009,291	5,237,656	4,850,874
Culture and Recreation	1,629,135	1,836,713	1,691,891	1,583,955	1,646,109
Education	39,743,207	42,697,724	45,580,677	44,735,570	46,903,607
Employee Benefits	14,612,966	16,801,397	14,899,277	17,906,868	18,125,807
State Assessments	907,840	1,183,974	1,500,090	1,614,015	1,737,624
Debt and Interest	8,065,019	7,870,544	8,117,099	7,833,831	7,085,549
Total Expenditures	84,142,980	90,748,551	90,889,227	92,669,935	94,039,213
Excess of Revenue Over (under) Expenditures	1,914,175	992,743	(848,007)	347,308	1,314,043
Other Financing Sources (Uses):					
Transfers from (to) Other Funds	2,124,002	1,967,042	1,760,338	2,125,205	1,562,049
Transfers Out	(2,155,881)	(611,746)	(1,857,503)	(1,173,119)	(1,808,580)
Total Other Financing Sources	(31,879)	1,355,296	(97,165)	952,086	(246,531)
Excess of Revenues and Other Sources Over (Under Expenditures and Other Uses	1,882,296	2,348,039	(945,172)	1,299,394	1,067,512
Fund Balance, Beginning	9,648,326	11,530,622	13,878,661	12,933,489	14,388,575
Fund Balance, Ending	\$ 11,530,622	\$ 13,878,661	\$ 12,933,489	\$ 14,232,883	\$ 15,456,087

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

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

Undesignated Fund Balance and Free Cash

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

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

<u>Fiscal Year</u>	<u>Undesignated Fund Balance (June 30)</u>	<u>Certified Free Cash (July 1)</u>
2012	\$ 6,956,495 (1)	\$ 5,591,137
2011	8,074,419 (1)	6,002,067
2010	6,938,427	5,845,970
2009	5,632,945	4,778,074
2008	5,394,795	4,597,946
2007	4,464,676	4,850,038

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

Stabilization Fund

In Fiscal 2000 the Town instituted a Stabilization Fund which is funded by town meeting appropriations and can only be spent with Town Meeting approval. The Fund is intended to be used for one time capital expenditures. As of June 30, 2010, the balance in the Stabilization Fund was \$153,089. As of June 30, 2011, the balance in the Stabilization Fund was \$157,136. As of June 30, 2012, the balance in the Stabilization Fund was \$348,025.

Other Available Funds

Available funds as of June 30, 2010 in the Cable Enterprise Fund were \$3,613,732 and \$7,866,634 in the Light Enterprise Fund. Balances of the Cable Enterprise Fund and Light Enterprise Fund at June 30, 2011 were \$3,133,175 and \$8,554,691, respectively. As of June 30, 2012, the balances in these funds were \$2,733,432 and \$10,370,917, respectively. As of June 30, 2012, the balance of the Pay-As-You-Throw Fund was \$58,879.

Tax Increment Financing for Development Districts

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

The Town has not established any such districts.

Investment of Town Funds

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

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

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

INDEBTEDNESS

Authorization Procedure and Limitations

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

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

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

Types of Obligations

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

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

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

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

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

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

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

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

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

**DIRECT DEBT SUMMARY (1)
As of June 30, 2012, Including These Issues**

General Obligation Bonds Outstanding		
School (2)	\$ 57,741,000	
General (3)	5,280,000	
Electric (4)	849,000	
Cable (4)	680,000	
Water (4)	750,000	
Land Acquisition (5)	2,490,000	
MWPAT (6)	<u>428,914</u>	
Total Long Term Debt		\$ 68,218,914
This Issue of Bonds-Series A		6,100,000 (7)
This Issue of Bonds-Series B		681,000 (4)
Bond Anticipation Notes Outstanding	9,125,000	
Less:		
To be Retired with Bond Proceeds	(6,781,000)	
To be Retired with Revenue	<u>(19,000)</u>	
Total Short Term Debt After This Issue (8)		<u>2,325,000</u>
Total Direct Debt		<u>\$ 77,324,914</u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post employment benefits liability.
- (2) Does not reflect the reimbursement to be received from the State of Massachusetts for school building assistance. \$56,891,850 is exempt from the limits of Proposition 2 ½.
- (3) Exempt from the limits of Proposition 2 ½.
- (4) Outside the Town's general debt limit.
- (5) \$1,810,000 is exempt from the limits of Proposition 2 ½.
- (6) Does not reflect the subsidy to be received from MWPAT. \$161,077 is exempt from the limits of Proposition 2 ½ and is outside the Town's debt limit.
- (7) Exempt from the limits of Proposition 2 ½.
- (8) Payable July 13, 2012.

Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding	Equalized Valuation(1)	Per Capita Debt(2)	Debt as a % of Full Valuation
2012	\$68,218,914	\$5,064,277,500	\$1,915.83	1.3 %
2011	53,185,941	5,064,277,500	1,493.65	1.1
2010	58,857,300	5,422,224,900	1,652.92	1.1
2009	65,849,199	5,422,224,900	1,849.28	1.2
2008	71,616,804	5,041,995,700	2,011.26	1.4

(1) 2006 equalized valuation used for fiscal year 2008. 2008 equalized valuation used for fiscal years 2009 and 2010. 2010 equalized valuation used for fiscal years 2011 and 2012.

(2) Based on 2010 U.S. Census population of 35,608.

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the outstanding debt of the Town of Shrewsbury, as of June 30, 2012.

GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE As of June 30, 2012

Fiscal Year	School	General	Electric	Cable	Water	Land Acquisition	MWPAT	Total Outstanding
2013	\$ 5,151,000	\$ 380,000	\$ 314,000	\$ 345,000	\$ 125,000	\$ 340,000	\$ 41,862	\$6,696,862
2014	5,080,000	380,000	110,000	335,000	125,000	335,000	42,000	6,407,000
2015	5,030,000	380,000	110,000	-	125,000	335,000	45,216	6,025,216
2016	4,980,000	380,000	105,000	-	125,000	325,000	45,216	5,960,216
2017	4,505,000	380,000	105,000	-	125,000	325,000	45,216	5,485,216
2018	4,495,000	380,000	105,000	-	125,000	320,000	45,216	5,470,216
2019	4,485,000	380,000	-	-	-	210,000	45,217	5,120,217
2020	4,365,000	380,000	-	-	-	170,000	40,387	4,955,387
2021	4,275,000	375,000	-	-	-	65,000	43,605	4,758,605
2022	4,265,000	375,000	-	-	-	65,000	10,398	4,715,398
2023	1,370,000	375,000	-	-	-	-	10,398	1,755,398
2024	1,370,000	375,000	-	-	-	-	4,728	1,749,728
2025	1,370,000	370,000	-	-	-	-	4,728	1,744,728
2026	1,000,000	370,000	-	-	-	-	4,728	1,374,728
2027	1,000,000	-	-	-	-	-	-	1,000,000
2028	1,000,000	-	-	-	-	-	-	1,000,000
2029	1,000,000	-	-	-	-	-	-	1,000,000
2030	1,000,000	-	-	-	-	-	-	1,000,000
2031	1,000,000	-	-	-	-	-	-	1,000,000
2032	1,000,000	-	-	-	-	-	-	1,000,000
	<u>\$57,741,000</u>	<u>\$5,280,000</u>	<u>\$849,000</u>	<u>\$680,000</u>	<u>\$750,000</u>	<u>\$2,490,000</u>	<u>\$428,914</u>	<u>\$68,218,914</u>

Debt Service Requirements

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

TOWN OF SHREWSBURY, MASSACHUSETTS DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2012

Fiscal Year	Currently Outstanding		MSBA Subsidy	MWPAT Subsidy	Total Net Debt Service
	Principal	Interest			
2013	\$ 6,696,862	\$ 2,693,274	\$ (3,350,376)	\$ (18,879)	\$ 6,020,880
2014	6,407,000	2,489,834	(3,350,376)	(13,796)	5,532,661
2015	6,025,216	2,269,723	(3,350,376)	(13,048)	4,931,515
2016	5,960,216	2,049,244	(3,350,376)	(12,023)	4,647,062
2017	5,485,216	1,809,488	(2,764,695)	(11,011)	4,518,998
2018	5,470,216	1,570,692	(2,764,695)	(9,943)	4,266,270
2019	5,120,217	1,333,750	(2,764,695)	(8,823)	3,680,449
2020	4,955,387	1,102,449	(2,764,695)	(7,877)	3,285,264
2021	4,758,605	870,021	(2,764,695)	(8,100)	2,855,832
2022	4,715,398	641,798	-	(425)	5,356,771
2023	1,755,398	487,778	-	(142)	2,243,034
2024	1,749,728	412,343	-	-	2,162,071
2025	1,744,728	341,630	-	-	2,086,358
2026	1,374,728	279,245	-	-	1,653,973
2027	1,000,000	225,000	-	-	1,225,000
2028	1,000,000	185,000	-	-	1,185,000
2029	1,000,000	145,000	-	-	1,145,000
2030	1,000,000	105,000	-	-	1,105,000
2031	1,000,000	63,750	-	-	1,063,750
2032	1,000,000	21,250	-	-	1,021,250
	<u>\$68,218,914</u>	<u>\$19,096,268</u>	<u>(\$27,224,979)</u>	<u>(\$104,067)</u>	<u>\$59,986,137</u>

Authorized Unissued Debt and Prospective Financing

Following the delivery of each series of Bonds, the Town will have \$18,009,509 authorized unissued debt consisting of \$12,450,957 for middle school construction, \$1,310,000 for Spring Street School remodeling, \$4,143,825 for sewer projects and the balance for other various municipal purposes. The total amount authorized for the construction of the Middle School is to be reduced by the amount of grants to be received from the Massachusetts School Building Authority which is expected to total \$24,362,063. To date, the Town has received \$15,449,043.

Overlapping Debt

The Town is a member of the Worcester Regional Transit Authority that has no outstanding long-term debt. For the fiscal year ending June 30, 2011, the Town was assessed \$95,756 for its share of the operating costs of the Authority. For the fiscal year ending June 30, 2012, the Town was assessed \$97,053 for its share of operating costs of the Authority.

In addition, as a contiguous Town of the MBTA, the Town is assessed \$115,750 for its share of those operating costs for fiscal 2011. For the fiscal year ending June 30, 2012, the Town was assessed \$114,529 for its share of the operating costs of the MBTA.

Contractual Obligations

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

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

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

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

The Town of Shrewsbury has the following significant contractual obligations.

Vendor	Description	Expiration Date	Fiscal 2011 Annual Cost (3)	Fiscal 2012 Annual Cost (3)	Fiscal 2013 Annual Cost (3)
Wheelabrator Millbury, Inc.	Disposal of Trash	(1)	\$ 484,829	\$ 485,750	\$ 496,000
Pellegrino Trucking	Refuse collection, recyclable and yard waste	6/30/2014	1,120,980	1,143,400	1,166,268
Dynamic Cleaning	Municipal office cleaning	6/30/2015	54,805	56,445	52,900
National Facilities	School cleaning services	6/30/2014	355,010	395,870	188,595
National Facilities	High School cleaning services	6/30/2014	199,260	807,230	215,500
AA Transportation	school bus transportation of students	6/30/2014	2,572,720	2,081,597	3,153,077
Assabet Valley Collaborative	out of district appropriation	(2)	928,000	1,041,300	1,041,300
Umass/Memorial Health Care	ambulance service	12/31/2012	79,960	79,960	19,976
National Facilities	Library (Night Service)	12/31/2012	-	61,061	9,000
Dynamic Cleaning	Library (Day Service)	12/31/2012	-	-	34,661
Dynamic Cleaning	School Cleaning Services	2/6/2013	-	-	55,000
Dynamic Cleaning	School Cleaning Services	6/30/2014	-	-	43,900
Dynamic Cleaning	School Cleaning Services	6/30/2015	-	-	93,000

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

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

(3) Budgeted, not actual; subject to revision and change.

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

An inter-municipal agreement dated September 11, 1979 for a period of twenty-five years with the Town of Westborough whereby the Town of Shrewsbury's wastewater is treated at the Town of Westborough's wastewater treatment facility. The Town has extended this contract to 1/1/2035. Debt service and operation and maintenance costs to be determined by the Sewer Treatment Board apportioned on the basis of each member's flow. Debt service will be paid annually while the operation costs will be paid semi-annually. The Town's share of total costs was \$3,214,270 in fiscal year 2010, \$2,521,229 in fiscal year 2011, and \$3,238,029 in fiscal year 2012. The Town's share of total costs for fiscal 2013 are expected to total \$3,881,958.

RETIREMENT PLAN

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

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

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

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

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

The Town has a contributory retirement system that is partially funded by employee contributions including the Municipal Light Department. There are 226 retired persons and surviving beneficiaries currently receiving pensions under the contributory plan. The Town's method of funding for the contributory plan is a combination of required pay-as-you-go contributions and funding of future service costs based on an actuarial valuation prepared by PERAC or an actuary. The retirement system covers substantially all municipal employees except school teachers, whose pensions are paid by the Commonwealth.

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

<u>Year Ending</u>	<u>Town Contribution</u>
June 30, 2013 (budgeted)	\$3,320,189
June 30, 2012	3,204,390
June 30, 2011	2,680,129
June 30, 2010	2,629,497
June 30, 2009	2,629,497

The unfunded actuarial liability applicable to employees on January 1, 2010 was approximately \$26,592,340 and the Annual Required Contribution was \$3,137,490 assuming an actuarial value of assets of \$64,467,201 and an 8.25% investment rate of return. The total pension benefit obligation of the contributory retirement system as of January 1, 2010 was approximately \$91,059,591.

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

Other Post-Employment Benefits (OPEB)

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

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2012	\$ 1,528,948
2011	1,591,744
2010	1,400,930
2009	1,423,178
2008	1,512,883

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

The Town has performed an actuarial valuation of its non-pension, post-employment benefits. As of July 1, 2010, the Town's unfunded actuarial accrued liability ("UAAL") was approximately \$89,913,036 (assuming a 3.50% discount rate) and \$42,827,747 (assuming an 8.0% discount rate) and the annual required contributions ("ARC") are \$7,612,948 and \$3,766,674, respectively. SELCO has established a 13 year funding schedule with transfers totaling \$1,688,269 to fund its portion of this liability.

EMPLOYEE RELATIONS

The Town presently employs approximately 1,538 full-time and part-time workers, 1,044 of whom are employed by the school department, 34 by the public works department, 38 by the fire department, 60 by the police department, 80 by the Electric/CATV department and the balance of persons by various departments of the Town. Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

Title of Union Contract	Department	No. of Union Members	Contract Expiration Date (1)
International Brotherhood of Police Officers, Local 426	Police	28	6/30/2013
Shrewsbury Police Superior Officers Association	Police Superior Officers	9	6/30/2013
Teamsters Local 170, Dispatchers	Police	7	6/30/2013
Firefighter's Association NAGE, Local R1-223	Fire	36	6/30/2014
American Federation of State, County and Municipal Employees AFL-CIO, State Council 93, Local 1708	Public Works	19	6/30/2014
Shrewsbury Employees International Union Local 188	Public Buildings	13	6/30/2014
International Brotherhood of Electrical Workers	Electric/Cable	23	6/30/2014
Shrewsbury Education Association	Teachers	443	6/30/2013
Shrewsbury Employees International Union - Local 888	School Cafeteria	30	6/30/2015

(1) Expired contracts are currently in negotiations.

LITIGATION

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

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

November 8, 2012

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TOWN OF SHREWSBURY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

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TOWN OF SHREWSBURY, MASSACHUSETTS TABLE OF CONTENTS
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	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	A-1
MANAGEMENT'S DISCUSSION AND ANALYSIS	A-3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	A-14
Statement of Activities	A-15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	A-16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	A-17
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	A-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-19
Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP)- Budget and Actual - General Fund	A-20
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	A-21
Statement of Net Assets - Proprietary Funds	A-22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	A-23
Statement of Cash Flows - Proprietary Funds	A-24
Statement of Fiduciary Net Assets - Fiduciary Funds	A-26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	A-27

SUPPLEMENTARY INFORMATION

Governmental Funds by Fund Type:

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Non-major Governmental Funds A-70

Receivable Schedules:

Schedule of Real Estate, Personal Property, and Supplemental Taxes
and Deferred Property Taxes A-72

Schedule of Motor Vehicle Excise Taxes A-73

Schedule of Tax Liens and Taxes in Litigation A-74

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

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, 2011 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, 2010, which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shrewsbury, Massachusetts' management. 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, which represents 52% of the assets, 47% of the net assets and 62% of the revenues of the proprietary fund types and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represents 23% of the assets, 23% of the net assets and 27% of the revenues of the proprietary fund types. These financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2011, (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, 2010),

and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of the Town of Shrewsbury, Massachusetts' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shrewsbury, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

February 10, 2012

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, 2011.

Financial Highlights

- The Town's assets exceeded its liabilities by \$177,703,050 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$175,536,687 an increase of \$2,166,363 (1.23%).
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$134,870,303 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$17,423,797 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$25,408,950 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$16,615,018, a decrease of \$2,560,946 (13%) in comparison with prior year
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,074,419 or 8% of revenues and other sources and 8% of expenditures and other uses.
- Total liabilities of the Town increased by \$25,962,996 (26%) to \$124,642,185 during the fiscal year. This net change resulted from a net increase in current liabilities of \$25,921,975 (the major component of which was an increase in bond anticipation notes of \$23,580,000 and a net increase in noncurrent liabilities of \$41,021 (the major components of which were an increase in the OPEB liability of \$5,780,375 and a decrease in bonds payable of \$5,757,916.)

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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

Statement of Net Assets Highlights

	Governmental Activities		
	2011	2010	Change
Assets:			
Current assets	\$ 61,237,671	\$ 38,195,361	\$ 23,042,310
Noncurrent assets (excluding capital assets)	26,225,729	28,660,595	(2,434,866)
Capital assets	126,435,366	120,386,021	6,049,345
Total assets	213,898,766	187,241,977	26,656,789
Liabilities:			
Current liabilities (excluding debt)	10,525,141	7,634,914	2,890,227
Noncurrent liabilities (excluding debt)	16,800,029	11,388,208	5,411,821
Current debt	35,430,016	11,865,015	23,565,001
Noncurrent debt	46,636,413	51,686,430	(5,050,017)
Total liabilities	109,391,599	82,574,567	26,817,032
Net Assets:			
Capital assets net of related debt	92,095,800	87,983,929	4,111,871
Restricted	14,215,719	10,384,092	3,831,627
Unrestricted	(1,804,352)	6,299,389	(8,103,741)
Total net assets	\$ 104,507,167	\$ 104,667,410	\$ (160,243)

	Business-Type Activities		
	2011	2010	Change
Assets:			
Current assets	\$ 41,609,924	\$ 39,121,202	\$ 2,488,722
Noncurrent assets (excluding capital assets)	1,018,306	1,083,308	(65,002)
Capital assets	45,818,239	46,769,389	(951,150)
Total assets	88,446,469	86,973,899	1,472,570
Liabilities:			
Current liabilities (excluding debt)	3,565,986	4,005,757	(439,771)
Noncurrent liabilities (excluding debt)	8,640,864	8,253,748	387,116
Current debt	696,899	790,381	(93,482)
Noncurrent debt	2,346,837	3,054,736	(707,899)
Total liabilities	15,250,586	16,104,622	(854,036)
Net Assets:			
Capital assets net of related debt	42,774,503	42,924,272	(149,769)
Restricted	3,208,078	5,966,995	(2,758,917)
Unrestricted	27,213,302	21,978,010	5,235,292
Total net assets	\$ 73,195,883	\$ 70,869,277	\$ 2,326,606

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2011	2010	Change
Program Revenues:			
Charges for services	\$ 12,077,977	\$ 11,558,685	\$ 519,292
Operating grants and contributions	33,790,096	33,484,715	305,381
Capital grants and contributions	5,544,298	1,300,406	4,243,892
General Revenues:			
Property taxes	49,946,893	48,922,175	1,024,718
Motor vehicle excise and other taxes	4,487,869	4,366,015	121,854
Hotel room occupancy taxes	419,461	47,864	371,597
Penalties and interest on taxes	281,400	219,585	61,815
Nonrestricted grants	2,886,863	2,878,770	8,093
Unrestricted investment income	719,918	1,224,212	(504,294)
Gain on sale of capital asset	-	315,500	(315,500)
Total revenues	110,154,775	104,317,927	5,836,848
Expenses:			
General government	6,273,732	5,956,535	317,197
Public safety	7,816,120	8,143,178	(327,058)
Public works (including water)	5,139,517	5,182,617	(43,100)
Education	60,226,305	58,893,261	1,333,044
Health and human services	731,880	825,178	(93,298)
Culture and recreation	2,482,132	2,348,662	133,470
Employee benefits and insurance	23,587,686	23,182,594	405,092
State assessments	1,737,624	1,614,015	123,609
Interest	2,509,953	2,239,092	270,861
Total expenses	110,504,949	108,385,132	2,119,817
Transfers	189,931	(86,993)	276,924
Change in net assets	(160,243)	(4,154,198)	3,993,955
Net assets - beginning of year	104,667,410	108,821,608	(4,154,198)
Net assets - end of year	\$ 104,507,167	\$ 104,667,410	\$ (160,243)

	Business-Type Activities		
	2011	2010	Change
Program Revenues:			
Charges for services	\$ 52,337,459	\$ 52,022,364	\$ 315,095
Operating grants and contributions	96,981	106,101	(9,120)
Total revenues	52,434,440	52,128,465	305,975
Expenses:			
Sewer	4,133,885	3,642,101	491,784
Solid waste	1,730,667	1,685,108	45,559
Electric light	31,273,548	31,684,155	(410,607)
Community Cablevision	12,838,120	12,609,983	228,137
Total expenses	49,976,220	49,621,347	354,873
Transfers	(131,614)	99,923	(231,537)
Change in net assets	2,326,606	2,607,041	(280,435)
Net assets - beginning of year	70,869,277	68,262,236	2,607,041
Net assets - end of year	\$ 73,195,883	\$ 70,869,277	\$ 2,326,606

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$177,703,050 at the close of FY 2011.

Net assets of \$134,870,303 (76%) 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 assets \$17,423,797 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$25,408,950 (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

The governmental activities net assets decreased by \$160,243 during the current fiscal year. The significant reasons for the decrease in net assets are attributed to the increase in the OPEB obligation of \$5,461,879, capital asset acquisitions of \$11,360,921 and current depreciation expense of \$5,311,576.

There was an increase of \$2,326,606 in net assets reported in the business-type activities. Of this, the sewer fund, electric light fund and cable operations fund incurred increases of \$907,982, \$1,073,393 and \$479,687, respectively and the solid waste fund incurred a decrease of \$134,456.

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 \$16,615,018 a decrease of \$2,560,946 (13%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Restricted fund balance - \$9,671,570
- Committed fund balance - \$2,436,894
- Assigned fund balance - \$6,894,993
- Unassigned fund balance - \$(2,388,439)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$15,456,087 increasing \$1,067,512 (7%) from the prior year. Of the \$15,456,087, the unassigned amount is \$8,074,419, the assigned amount is \$6,852,945 and the restricted amount is \$528,723. General fund revenues were \$2,336,013 (3%) more than the prior fiscal year and expenditures increased by \$1,369,278 (1%). Other activity in the General Fund were net transfers to nonmajor governmental funds of \$436,462 and net transfers from the business-type activities of \$131,614.

Increases in general fund revenues as compared to the prior year were as follows:

- Property taxes \$1,331,954 (3%)
- Excise and other taxes \$562,755 (13%)
- Charges for services \$494,887 (11%)
- Licenses, permits and fee \$333,227 (22%)
- Interest on taxes \$61,815 (28%)
- On behalf payments \$259,950 (4%).

Decreases in general fund revenues as compared to the prior year were as follows:

- Intergovernmental \$214,477 (.84%)
- Interest on investments \$494,098 (41%)

Increases in general fund expenditures as compared to the prior year were as follows:

- General government \$432,987 (8%)
- Education \$2,168,037 (5%)
- Culture and recreation \$62,154 (4%)
- Employees benefits and insurance \$218,939 (1%)
- State assessments \$123,609 (8%)

Decreases in general fund expenditures as compared to the prior year were as follows:

- Public safety \$492,579 (7%)
- Public works \$386,782 (7%)
- Health and human services \$8,805 (1%)
- Interest on debt service \$25,850 (.52%)
- Principal on debt service by \$722,432 (26%)

The *Sherwood middle school construction project fund* is used to account for financial resources to construct a new middle school. The fund has a negative fund balance of \$3,726,398 at June 30, 2011. The fund ended fiscal year 2011 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$22,900,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund decreased by \$3,863,310. This amount was attributed to the receipt of Massachusetts Building Authority funds of \$2,526,588 and capital expenditures of \$6,389,898.

The *Allen Farm Property Acquisition fund* has a negative fund balance of \$6,056,460. The fund is used to account for financial resources to acquire the land and buildings situated in the Town. The fund ended fiscal year 2011 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$6,100,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund decreased by \$15 and was attributed to expenditures.

Major Proprietary Funds

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

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$907,982 attributed to operating revenues exceeding current operating costs by \$907,120, intergovernmental revenues of \$11,108 and interest expense of \$10,246.

Operating revenues increased by \$653,566 (15%) while operating expenses increased by \$492,559 (14%) from the prior year. Net assets increased by \$907,982 (4%).

The *Solid Waste Fund* is the financing and operations of the Town's solid waste operations. The solid waste fund shows a decrease of \$134,456 attributed to operational expenditures exceeding revenues by \$827,265 and transfers in from the general fund for \$692,809. Operating revenues increased by \$23,412 (3%) while operating expenses increased by \$45,559 (3%) from the prior year. Net assets decreased by \$134,456 (38%).

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2010 shows an increase of \$1,073,393, attributed to operating revenues exceeding operating expenses by \$1,266,104, investment income of \$86,905, interest expense of \$80,468, other expense of \$1,032 and transfers to the general fund of \$198,116. Operating revenues decreased by \$971,738 (3%) while operating expenses decreased by \$416,458 (1%) from the prior year. Net assets increased by \$1,073,393 (3%).

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, 2010 shows an increase of \$479,687, attributed to operating revenue exceeding operating expenses of \$1,138,167, interest expense of \$37,663, other income of \$5,490 and transfers to the general fund of \$626,307.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2011 was \$92,950,438. This was an increase of \$844,798 over the previous year's budget.

There was an increase of \$189,517 between the original budget and the final amended budget. The change is attributed to the Town amending specific budget line items of the final budget as follows:

- General government was increased \$72,039.
- Public safety was increased \$75,599.
- Public works was increased \$14,120.
- Health and human services was decreased \$3,271.
- Culture and recreation was increased \$20,522.
- Employee benefits and insurance was increased \$10,508.

Of the \$6,118,880 in under budget expenditures \$4,520,154 has been carried over to fiscal year 2012.

There is a negative variance in interest on investments of \$92,522. The negative variance in interest on investments was attributed to a drop in interest rates.

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, 2011, (December 31, 2010 for the electric light fund and the cable operations fund) amounts to \$126,435,366 and \$45,818,239, respectively.

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

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

- Department of public works vehicles for \$67,629.
- Building department vehicle for \$34,700.
- Four police vehicles for \$114,424.
- Water infrastructure system improvements for \$804,260.
- Road infrastructure improvements for \$3,168,055.
- Land and library expansion for \$760,000.
- Spring Street school project for \$21,955.
- New Sherwood Middle school construction for \$6,389,898.

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

In the sewer fund:

- Pump station improvements for \$45,980.

In the electric light and cablevision funds capital acquisitions were \$1,072,122 and \$2,215,051, respectively.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2011, totaled \$51,686,429. The primary debt is education debt of \$41,906,000, conservation land acquisition debt of \$2,085,000, fire facility renovations of \$5,660,000, a water tank for \$875,000 and septic Title V debt of \$176,205. Debt also includes bond anticipation notes of \$6,780,000 for land acquisition, \$700,000 water system improvements and \$22,900,000 for the Sherwood Middle School project.

The business-type funds have \$3,043,736 consisting of sewer activity debt of \$294,736, electric light activity debt of \$1,359,000 (at December 31, 2010) and cable operations activity debt of \$1,390,000 (at December 31, 2010).

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

Next Year's Annual Town Meeting

The Town of Shrewsbury operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2011 do not reflect the fiscal year 2012 Town Meeting action, The Annual Town Meeting on May 16, 2011 authorized a fiscal year 2012 operating and capital budget as follows:

From the tax levy	\$	86,343,112
From sewer fund		5,568,663
From electric light fund		500,954
From community cablevision fund		1,101,020
From sewer construction		150,000
From solid waste fund		935,000
From solid waste retained earnings		50,000
From Other Available Funds:		
Undesignated Fund Balance:		
General Fund:		
Free cash		2,332,791
Special Revenue Funds		
Cemetery sale of lots	18,000	
Septic loan repayment fund	15,128	33,128
		<u>\$ 97,014,668</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 ASSETS
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 10,588,115	\$ 7,578,049	\$ 18,166,164
Investments	43,933,014	15,071,159	59,004,173
Receivables, net of allowance for uncollectibles:			
Property Taxes	434,032	-	434,032
Deferred Property Taxes	28,688	-	28,688
Taxes in Litigation	8,379	-	8,379
Tax Liens	368,003	-	368,003
Excise Taxes	302,616	-	302,616
User Charges	371,096	3,438,131	3,809,227
Other	-	717,467	717,467
Special Assessments	19,882	-	19,882
Due from Other Governments	5,183,846	-	5,183,846
Loan Receivable	-	24,176	24,176
Materials and Supplies	-	464,052	464,052
Prepaid Expenses	-	3,648,415	3,648,415
Restricted Cash and Investments:			
Depreciation Fund	-	3,208,078	3,208,078
Rate Stabilization Reserve Fund	-	7,429,959	7,429,959
Investment in Other Companies	-	30,438	30,438
Total current assets	<u>61,237,671</u>	<u>41,609,924</u>	<u>102,847,595</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	261,826	636,880	898,706
Due from Other Governments	25,963,903	-	25,963,903
Loan Receivable	-	48,273	48,273
Other	-	333,153	333,153
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	27,950,110	386,187	28,336,297
Depreciable	98,485,256	45,432,052	143,917,308
Total noncurrent assets	<u>152,661,095</u>	<u>46,836,545</u>	<u>199,497,640</u>
Total Assets	<u>213,898,766</u>	<u>88,446,469</u>	<u>302,345,235</u>
LIABILITIES			
CURRENT:			
Warrants Payable	4,401,363	3,501,553	7,902,916
Accrued Payroll	3,466,568	7,385	3,473,953
Payroll Withholdings	701,872	-	701,872
Tax Refund Payable	42,000	-	42,000
Taxes Collected in Advance	62,516	-	62,516
Accrued Interest	1,114,789	4,842	1,119,631
Other	331,948	48,000	379,948
Compensated Absences	404,085	4,206	408,291
Bond Anticipation Notes	30,380,000	-	30,380,000
Bonds Payable	5,050,016	696,899	5,746,915
Total current liabilities	<u>45,955,157</u>	<u>4,262,885</u>	<u>50,218,042</u>
NONCURRENT:			
Accumulated Provision for Rate Refund	-	7,429,959	7,429,959
Other	-	246,651	246,651
Compensated Absences	866,092	12,617	878,709
OPEB Obligation Payable	15,933,937	951,637	16,885,574
Bonds Payable	46,636,413	2,346,837	48,983,250
Total noncurrent liabilities	<u>63,436,442</u>	<u>10,987,701</u>	<u>74,424,143</u>
Total Liabilities	<u>109,391,599</u>	<u>15,250,586</u>	<u>124,642,185</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	92,095,800	42,774,503	134,870,303
Restricted for:			
Capital Projects	3,252,938	-	3,252,938
Federal & State Grants	3,319,602	-	3,319,602
Permanent Funds	1,884,066	-	1,884,066
Other Purposes	5,759,113	-	5,759,113
Depreciation	-	3,208,078	3,208,078
Unrestricted	(1,804,352)	27,213,302	25,408,950
Total Net Assets	<u>\$ 104,507,167</u>	<u>\$ 73,195,883</u>	<u>\$ 177,703,050</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, 2011**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 6,273,732	\$ 422,842	\$ 336,752	\$ -	\$ (5,514,138)	\$ -	\$ (5,514,138)
Public Safety	7,816,120	1,131,694	189,112	-	(6,495,314)	-	(6,495,314)
Public Works (including Water)	5,139,517	4,059,738	104,402	2,942,710	1,967,333	-	1,967,333
Education	60,226,305	4,543,446	24,636,894	2,601,588	(28,444,377)	-	(28,444,377)
Health and Human Services	731,880	1,459,490	249,578	-	977,188	-	977,188
Culture and Recreation	2,482,132	460,767	127,654	-	(1,893,711)	-	(1,893,711)
Employee Benefits and Insurance	23,587,686	-	7,232,472	-	(16,355,214)	-	(16,355,214)
State Assessments	1,737,624	-	-	-	(1,737,624)	-	(1,737,624)
Interest	2,509,953	-	913,232	-	(1,596,721)	-	(1,596,721)
Total Governmental Activities	110,504,949	12,077,977	33,790,096	5,544,298	(59,092,578)	-	(59,092,578)
Business-Type Activities:							
Sewer	4,133,885	5,030,759	11,108	-	-	907,982	907,982
Solid Waste	1,730,667	903,402	-	-	-	(827,265)	(827,265)
Electric Light	31,273,548	32,459,184	85,873	-	-	1,271,509	1,271,509
Community Cablevision	12,838,120	13,944,114	-	-	-	1,105,994	1,105,994
Total Primary Government	\$ 160,481,169	\$ 64,415,436	\$ 33,887,077	\$ 5,544,298	(59,092,578)	2,458,220	(56,634,358)
General Revenues:							
Property Taxes					49,946,893	-	49,946,893
Motor vehicle and other taxes					4,487,869	-	4,487,869
Hotel Room Occupancy and Meal Taxes					419,461	-	419,461
Penalties & Interest on Taxes					281,400	-	281,400
Grants & Contributions not restricted to specific programs					2,886,863	-	2,886,863
Unrestricted Investment Income					719,918	-	719,918
Transfers, net					189,931	(131,614)	58,317
Total General Revenues and Transfers					58,932,335	(131,614)	58,800,721
Change in Net Assets					(160,243)	2,326,606	2,166,363
Net Assets:							
Beginning of year					104,667,410	70,869,277	175,536,687
End of year					\$ 104,507,167	\$ 73,195,883	\$ 177,703,050

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Sherwood Middle School Construction Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 7,007,340	\$ 1,978,986	\$ 43,540	\$ 1,558,249	\$ 10,588,115
Investments	14,815,815	18,475,929	-	10,641,270	43,933,014
Receivables, net of allowance for uncollectibles:					
Property Taxes	434,032	-	-	-	434,032
Deferred Property Taxes	28,688	-	-	-	28,688
Taxes in Litigation	8,379	-	-	-	8,379
Tax Liens	368,003	-	-	-	368,003
Excise Taxes	302,616	-	-	-	302,616
User Charges	371,096	-	-	-	371,096
Special Assessments	181,519	-	-	100,189	281,708
Due from Other Governments	28,454,593	626,534	-	2,066,622	31,147,749
Total Assets	\$ 51,972,081	\$ 21,081,449	\$ 43,540	\$ 14,366,330	\$ 87,463,400
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Warrants Payable	\$ 2,354,454	\$ 1,907,847	\$ -	\$ 139,062	\$ 4,401,363
Accrued Payroll	3,101,010	-	-	365,558	3,466,568
Payroll Withholdings	701,872	-	-	-	701,872
Tax Refund Payable	42,000	-	-	-	42,000
Taxes Collected in Advance	62,516	-	-	-	62,516
Other	331,948	-	-	-	331,948
Deferred Revenue:					
Property Taxes	219,032	-	-	-	219,032
Other	29,703,162	-	-	1,539,921	31,243,083
Bond Anticipation Notes Payable	-	22,900,000	6,100,000	1,380,000	30,380,000
Total Liabilities	36,515,994	24,807,847	6,100,000	3,424,541	70,848,382
Fund Balance:					
Restricted	528,723	-	-	9,142,847	9,671,570
Committed	-	-	-	2,436,894	2,436,894
Assigned	6,852,945	-	-	42,048	6,894,993
Unassigned	8,074,419	(3,726,398)	(6,056,460)	(680,000)	(2,388,439)
Total Fund Balance	15,456,087	(3,726,398)	(6,056,460)	10,941,789	16,615,018
Total Liabilities and Fund Balance	\$ 51,972,081	\$ 21,081,449	\$ 43,540	\$ 14,366,330	\$ 87,463,400

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, 2011**

	General Fund	Sherwood Middle School Construction Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 50,135,654	\$ -	\$ -	\$ -	\$ 50,135,654
Intergovernmental	25,362,355	2,526,588	-	8,662,062	36,551,005
Excise and Other Taxes	4,892,206	-	-	-	4,892,206
Charges for Service	4,885,906	-	-	5,808,967	10,694,873
Licenses, Permits, Fees	1,868,161	-	-	-	1,868,161
Interest on Taxes	281,400	-	-	-	281,400
Investment Income	719,919	-	-	113,748	833,667
Intergovernmental - "On-behalf" Payments	7,207,655	-	-	-	7,207,655
Gifts and Donations	-	-	-	440,516	440,516
Other	-	-	-	114,288	114,288
Total Revenues	95,353,256	2,526,588	-	15,139,581	113,019,425
Expenditures:					
Current:					
General Government	6,128,448	-	15	137,204	6,265,667
Public Safety	6,975,007	-	-	457,608	7,432,615
Public Works (including Water)	4,850,874	-	-	3,392,915	8,243,789
Education	46,903,607	6,389,898	-	9,911,099	63,204,604
Health and Human Services	586,188	-	-	68,679	654,867
Culture and Recreation	1,646,109	-	-	1,373,671	3,019,780
Employee Benefits and Insurance	18,125,807	-	-	-	18,125,807
State Assessments	1,737,624	-	-	-	1,737,624
Debt Service:					
Principal	4,975,128	-	-	-	4,975,128
Interest	2,110,421	-	-	-	2,110,421
Total Expenditures	94,039,213	6,389,898	15	15,341,176	115,770,302
Excess of Revenues Over (Under) Expenditures	1,314,043	(3,863,310)	(15)	(201,595)	(2,750,877)
Other Financing Sources (Uses):					
Operating Transfers In	1,562,049	-	-	1,115,771	2,677,820
Operating Transfers Out	(1,808,580)	-	-	(679,309)	(2,487,889)
Total Other Financing Sources (Uses)	(246,531)	-	-	436,462	189,931
Net Change in Fund Balances	1,067,512	(3,863,310)	(15)	234,867	(2,560,946)
Fund Balances, Beginning of Year	14,388,575	136,912	(6,056,445)	10,706,922	19,175,964
Fund Balances, End of Year	\$ 15,456,087	\$ (3,726,398)	\$ (6,056,460)	\$ 10,941,789	\$ 16,615,018

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 Assets
For the Year Ended June 30, 2011

Total Governmental Fund Balances		\$	16,615,018
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			126,435,366
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			31,462,115
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(51,686,429)	
Other Post Employment Benefits Payable		(15,933,937)	
Compensated Absences		<u>(1,270,177)</u>	(68,890,543)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(1,114,789)</u>
Net Assets of Governmental Activities		\$	<u>104,507,167</u>

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (2,560,946)

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	\$ 11,360,921	
Depreciation	<u>(5,311,576)</u>	6,049,345

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (2,864,650)

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 assets:

Repayment of Debt Principal	4,975,128	
Amortization of Net Gain/Loss on Refunding	<u>89,888</u>	5,065,016

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	102,291	
Net Change in Other Post Employment Benefits	(5,461,879)	
Net Change in Accrued Interest on Long-Term Debt	<u>(489,420)</u>	<u>(5,849,008)</u>

Change in Net Assets of Governmental Activities \$ (160,243)

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, 2011**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Property Taxes	\$ 49,499,990	\$ 49,499,990	\$ 50,086,654	\$ -	\$ 586,664
State Receipts	25,153,692	25,153,692	25,362,355	-	208,663
Excise and Other Taxes	4,450,500	4,450,500	4,885,906	-	435,406
Charges for Service	4,533,000	4,533,000	4,892,206	-	359,206
Licenses, Permits, Fees	1,152,000	1,152,000	1,868,161	-	716,161
Interest on Taxes	220,000	220,000	281,400	-	61,400
Interest on Investments	825,000	825,000	732,478	-	(92,522)
Total Revenues	85,834,182	85,834,182	88,109,160	-	2,274,978
Expenditures:					
Current:					
General Government	7,335,818	7,407,857	6,128,448	985,468	293,941
Public Safety	7,232,346	7,307,945	6,975,007	74,148	258,790
Public Works (including Water)	8,151,149	8,165,269	4,850,874	3,003,636	310,759
Education	47,266,525	47,266,525	46,903,607	362,918	-
Health and Human Services	759,493	756,222	586,188	60,676	109,358
Culture and Recreation	1,700,532	1,721,054	1,646,109	33,298	41,647
Employee Benefits and Insurance	11,427,129	11,437,637	10,923,495	10	514,132
State Assessments	1,756,414	1,756,414	1,737,624	-	18,790
Debt Service:					
Principal	4,975,128	4,975,128	4,975,128	-	-
Interest	2,156,387	2,156,387	2,105,078	-	51,309
Total Expenditures	92,760,921	92,950,438	86,831,558	4,520,154	1,598,726
Excess of Revenues Over (Under) Expenditures	(6,926,739)	(7,116,256)	1,277,602	(4,520,154)	3,873,704
Other Financing Sources (Uses):					
Operating Transfers In (Out)	679,027	(247,456)	(246,531)	-	925
Total Other Financing Sources (Uses)	679,027	(247,456)	(246,531)	-	925
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,247,712)	(7,363,712)	1,031,071	(4,520,154)	3,874,629
Budgetary Fund Balance - Beginning of Year	13,746,389	13,746,389	13,746,389	-	-
Budgetary Fund Balance - End of Year	\$ 7,498,677	\$ 6,382,677	\$ 14,777,460	\$ (4,520,154)	\$ 3,874,629

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, 2011

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 88,109,160	\$ 86,831,558
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	2,750	-
Net Increase in Revenue from recording Refund Taxes Payable	61,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	7,207,655	-
Recognition of Expenditures - "on behalf payments"	-	7,207,655
Net Change in Fair Value of Investments	(15,309)	-
Net Decrease in Revenue from Recording 60-Day Receipts	(12,000)	-
Reported on a GAAP Basis	\$ 95,353,256	\$ 94,039,213

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011**

**Business-Type Activities
Enterprise Funds**

	Enterprise Funds			Cable Operations Fund (as of December 31, 2010)	Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2010)		
ASSETS					
CURRENT:					
Cash and Cash Equivalents	\$ 4,037,068	\$ 209,973	\$ 1,957,384	\$ 1,373,624	\$ 7,578,049
Investments	8,257,691	-	4,003,765	2,809,703	15,071,159
User Charges, net of allowance	535,422	63,300	1,747,799	1,091,610	3,438,131
Other Receivables	75,025	-	599,845	42,597	717,467
Materials and Supplies	-	-	165,034	299,018	464,052
Loan Receivable	-	-	24,176	-	24,176
Prepaid Expenses	-	-	3,531,020	117,395	3,648,415
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,208,078	-	3,208,078
Rate Stabilization Reserve Fund	-	-	7,429,959	-	7,429,959
Investment in Other Companies	-	-	30,438	-	30,438
Total current assets	12,905,206	273,273	22,697,498	5,733,947	41,609,924
NONCURRENT:					
Special Assessments Receivable	636,880	-	-	-	636,880
Loan Receivable	-	-	48,273	-	48,273
Other	-	-	312,648	20,505	333,153
Capital Assets, net of accumulated depreciation:					
Nondepreciable	45,980	-	146,421	193,786	386,187
Depreciable	8,683,532	-	22,587,366	14,161,154	45,432,052
Total noncurrent assets	9,366,392	-	23,094,708	14,375,445	46,836,545
Total Assets	22,271,598	273,273	45,792,206	20,109,392	88,446,469
LIABILITIES					
CURRENT:					
Accounts Payable	105,620	51,528	2,551,290	793,115	3,501,553
Accrued Payroll	7,385	-	-	-	7,385
Accrued Interest	1,967	-	-	2,875	4,842
Other	-	-	-	48,000	48,000
Compensated Absences	4,206	-	-	-	4,206
Bonds Payable	26,899	-	310,000	360,000	696,899
Total current liabilities	146,077	51,528	2,861,290	1,203,990	4,262,885
NONCURRENT:					
Accumulated Provision for Rate Refund	-	-	7,429,959	-	7,429,959
Other	-	-	70,019	176,632	246,651
Compensated Absences	12,617	-	-	-	12,617
OPEB Obligation Payable	57,829	-	345,549	548,259	951,637
Bonds Payable	267,837	-	1,049,000	1,030,000	2,346,837
Total noncurrent liabilities	338,283	-	8,894,527	1,754,891	10,987,701
Total Liabilities	484,360	51,528	11,755,817	2,958,881	15,250,586
NET ASSETS:					
Invested in Capital Assets, net of related debt	8,434,776	-	21,374,787	12,964,940	42,774,503
Restricted for Depreciation	-	-	3,208,078	-	3,208,078
Restricted for Capital	-	-	-	-	-
Unrestricted	13,352,462	221,745	9,453,524	4,185,571	27,213,302
Total Net Assets	\$ 21,787,238	\$ 221,745	\$ 34,036,389	\$ 17,150,511	\$ 73,195,883

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2010)	Cable Operations Fund (as of December 31, 2010)	
Operating Revenues:					
Charges for Services	\$ 4,986,011	\$ 903,402	\$ 32,141,093	\$ 13,674,101	\$ 51,704,607
Other	44,748	-	318,091	270,013	632,852
Total Operating Revenues	5,030,759	903,402	32,459,184	13,944,114	52,337,459
Operating Expenses:					
Salaries & Wages	296,198	-	-	-	296,198
Operating Expenses	3,440,259	1,730,667	28,349,973	9,952,686	43,473,585
Maintenance Expenses	-	-	1,347,602	499,636	1,847,238
Depreciation	387,182	-	1,495,505	2,353,625	4,236,312
Total Operating Expenses	4,123,639	1,730,667	31,193,080	12,805,947	49,853,333
Operating Income (Loss)	907,120	(827,265)	1,266,104	1,138,167	2,484,126
Non-Operating Revenues (Expenses):					
Investment Income	-	-	86,905	-	86,905
Intergovernmental	11,108	-	-	-	11,108
Other	-	-	(1,032)	5,490	4,458
Interest Expense	(10,246)	-	(80,468)	(37,663)	(128,377)
Total Non-Operating Revenues (Expenses)	862	-	5,405	(32,173)	(25,906)
Income (Loss) Before Operating Transfers	907,982	(827,265)	1,271,509	1,105,994	2,458,220
Operating Transfers:					
Transfer In	-	692,809	-	-	692,809
Transfers (Out)	-	-	(198,116)	(626,307)	(824,423)
Total Operating Transfers	-	692,809	(198,116)	(626,307)	(131,614)
Change in Net Assets	907,982	(134,456)	1,073,393	479,687	2,326,606
Net Assets at Beginning of Year	20,879,256	356,201	32,962,996	16,670,824	70,869,277
Net Assets at End of Year	\$ 21,787,238	\$ 221,745	\$ 34,036,389	\$ 17,150,511	\$ 73,195,883

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2010)	Cable Operations Fund (as of December 31, 2010)	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 5,020,805	\$ 896,602	\$ 33,383,785	\$ 13,923,122	\$ 53,224,314
Receipts from Other Revenues	44,748	-	-	-	44,748
Payments to Vendors and Employees	(3,670,365)	(1,721,211)	(30,680,607)	(10,487,305)	(46,559,488)
Net Cash Provided by (Used for) Operating Activities	1,395,188	(824,609)	2,703,178	3,435,817	6,709,574
Cash Flows from Noncapital Financing Activities:					
Transfers from (to) Other Funds	-	692,809	(198,116)	(626,307)	(131,614)
Deferred Revenue	-	-	-	-	-
Due to SELCO - Electric	-	-	-	(18,085)	(18,085)
Net Cash Provided by (Used for) Noncapital Financing Activities	-	692,809	(198,116)	(644,392)	(149,699)
Cash Flows from Capital and Related Financing Activities:					
Intergovernmental Revenues	11,108	-	-	-	11,108
Proceeds from Bond Refunding	-	-	-	-	-
Transfers From Depreciation Fund	-	-	(47,733)	-	(47,733)
Other	-	-	200	-	200
Acquisition and Construction of Capital Assets	(45,980)	-	(1,052,445)	(2,215,051)	(3,313,476)
Principal Payments on Bonds and Notes	(26,231)	-	(384,650)	(379,500)	(790,381)
Interest Expense	(10,418)	-	(59,531)	(38,296)	(108,245)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(71,521)	-	(1,544,159)	(2,632,847)	(4,248,527)
Cash Flows from Investing Activities:					
Investment Income	-	-	92,912	-	92,912
Payments from (to) Customers for Energy Conservation Loans	-	-	(2,495)	-	(2,495)
Proceeds/(Purchase) of Investments	(1,238,097)	-	(862,327)	(234,563)	(2,334,987)
Net Cash Provided by (Used for) Investing Activities	(1,238,097)	-	(771,910)	(234,563)	(2,244,570)
Net Increase (Decrease) in Cash and Cash Equivalents	85,570	(131,800)	188,993	(75,985)	66,778
Cash and Cash Equivalents at Beginning of Year	3,951,498	341,773	1,768,391	1,449,609	7,511,271
Cash and Cash Equivalents at End of Year	\$ 4,037,068	\$ 209,973	\$ 1,957,384	\$ 1,373,624	\$ 7,578,049

**TOWN OF SHREWSBURY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2010)	Cable Operations Fund (as of December 31, 2010)	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	\$ 907,120	\$ (827,265)	\$ 1,266,104	\$ 1,138,167	2,484,126
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	387,182	-	1,495,505	2,353,625	4,236,312
Non-cash loss on disposal of assets	-	-	-	28,314	28,314
Non-cash advance bond refunding	-	-	7,290	-	7,290
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable	41,070	9,456	(227,412)	(238,368)	(415,254)
Increase (Decrease) in Accrued Payroll	1,383	-	-	-	1,383
Increase (Decrease) in Deferred Revenue	-	-	-	(48,000)	(48,000)
Increase (Decrease) in Compensated Absences	4,015	-	-	-	4,015
Increase (Decrease) in OPEB Obligation Payable	19,624	-	115,468	183,404	318,496
Decrease (Increase) in Materials and Supplies	-	-	17,239	11,428	28,667
Decrease (Increase) in Prepaid Expenses	-	-	(888,327)	(19,761)	(908,088)
Decrease (Increase) in Other Accounts Receivable	-	-	56,702	87,910	144,612
Decrease (Increase) in Customer Accounts Receivable	34,794	(6,800)	860,609	(60,902)	827,701
Total Adjustments	488,068	2,656	1,437,074	2,297,650	4,225,448
Net Cash Provided by (Used for) Operating Activities	\$ 1,395,188	\$ (824,609)	\$ 2,703,178	\$ 3,435,817	\$ 6,709,574

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	SHREWSBURY			
	Employees Retirement System Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Electric Light and Cable Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 210,552	\$ -	\$ 5,934	\$ 1,797,005
Investments	66,454,170	1,006,020	381,917	30,517
Accrued Interest and Dividends	361	-	-	-
Accounts Receivable	32,209	-	-	-
Total Assets	66,697,292	1,006,020	387,851	1,827,522
LIABILITIES				
Warrants Payable	563,380	-	-	-
Due to Others	-	-	-	77,277
Due to Student Groups	-	-	-	262,184
Escrows and Deposits	-	-	-	1,488,061
Total Liabilities	563,380	-	-	1,827,522
NET ASSETS:				
Held in Trust for Pension Benefits and Other Purposes	\$ 66,133,912	\$ 1,006,020	\$ 387,851	\$ -

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	SHREWSBURY		
	Employees Retirement System Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Electric Light and Cable Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 3,148,821	\$ 1,000,000	\$ -
Plan Members	2,021,848	-	-
Transfers/Reimbursements from Other Systems	228,466	-	-
Federal Grant Reimbursements	46,680	-	-
Commonwealth of Massachusetts - COLA	150,133	-	-
Private Donations	-	-	34,076
Total Contributions	5,595,948	1,000,000	34,076
Investment Income:			
Interest & Dividends	1,099,900	639	9,965
Net Change in Fair Value of Investments	7,102,445	5,381	(3,110)
Total Investment Earnings	8,202,345	6,020	6,855
Less Investment Expense	(386,794)	-	-
Net Investment Earnings	7,815,551	6,020	6,855
Total Additions	13,411,499	1,006,020	40,931
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	5,046,737	-	-
Refunds to Members	280,364	-	-
Transfers to Other Systems	475,204	-	-
Educational Scholarships	-	-	29,836
Charitable Expenses	-	-	545
General Expenses	81,828	-	-
Total Deductions	5,884,133	-	30,381
Change in Net Assets	7,527,366	1,006,020	10,550
Net Assets at Beginning of Year	58,606,546	-	377,301
Net Assets at End of Year	\$ 66,133,912	\$ 1,006,020	\$ 387,851

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

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.

B. Implementation of New Accounting Principle

In fiscal year 2011, the Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

C. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net assets 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 assets and change in net assets.

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.

Fiduciary funds are reported by fund type.

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

Government-wide financial statements

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

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 government 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

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

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

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 Postemployment Benefit Electric Light and Cable Trust Fund* accounts for the activities of the Town's OPEB plan, which accumulates resources for retiree medical and life insurance benefits.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 custody.

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 funds types:

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

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

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

E. 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.

F. Investments

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

Investments in the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments.

All investments are carried at fair value.

G. 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, 2010 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 2011 on June 28, 2010, that were due on August 2, 2010 and November 1, 2010 and actual bills on December 31, 2010 that were due on February 1, 2011 and May 2, 2011.

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 2011 is \$50,108,533 consisting of a base of \$47,484,083 and a debt exclusion of \$2,624,450. The total amount raised by taxation was \$50,078,448.

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 included as a lien on the property owner's tax bill.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

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

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

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

Special Assessments

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

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

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.

H. Materials and Supplies

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

I. Prepaid Expenses

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

J. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental 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) for the governmental activities are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

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

K. Restricted Cash and Cash Equivalents

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

- The *depreciation fund* is restricted to specific uses by the General Laws of Massachusetts. Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is to be transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of utility plant, nuclear decommissioning costs, costs of contractual commitments, and deferred costs related to such commitments which the Municipal Light Board determines are above market value.
- The *rate stabilization reserve fund* was created as an aftermath of 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. Massachusetts Municipal Wholesale Electric Company's (MMWEC's) members would face increasing competition from investor-owned utilities and neighboring municipal electric light departments. To maintain competitive posture for MMWEC's members in a deregulated environment, the Trust was created and established to provide and maintain a source of funds which could be accessed on an as needed basis for anticipated escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission increases. The rate stabilization fund balance at December 31, 2010 was \$7,429,959. The increase was interest earned on SELCO-Electric's invested balance. The balance is offset by a corresponding liability for the accumulated provisions for rate refund. SELCO-Electric utilizes the fund solely for its ratepayers.
- The *investment in other companies fund* is used to hold funds of the electric light fund's equity requirements for the Hydro-Quebec phase II interconnection as required under agreements with the New England Hydro-Transmission Electric Company, Inc. and the New England Hydro-Transmission Corporation. SELCO-Electric's ownership interest is less than one quarter of one percent in both projects. The balance at December 31, 2010 was \$30,438.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 Revenue

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

N. Net Assets and Fund Balances

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

Net assets have 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

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

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

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

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

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

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

O. Long-term Debt

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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. Post Retirement Benefits

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

R. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

- All boards, officers and committees of the Town shall annually, at the request of the town manager, submit in writing a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments and offices during the next fiscal year.
- Not less than ninety days prior to the date of the start of the annual Town meeting, the town manager shall submit to each member of the finance committee and of the board of selectmen, a copy of the annual budget.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

- The finance committee shall consider the annual budget prepared by the Town manager and may confer with Town boards, officers, and committees and may hold hearings if they deem it advisable.
- The finance committee shall thereupon approve or disapprove the amount. The committee shall furnish to the selectmen on or before April 1st of each year a report with the recommendations and the same shall be printed and ready for distribution at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

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 2011, the Town incurred a final budget deficit of \$7,363,712 for the General Fund.

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

Unreserved fund balance:	
Free cash votes	\$ 3,047,069
Reserved for payment of debt	489,607
Prior year's encumbrances	3,827,036
	<u>\$ 7,363,712</u>

B. Deficit Fund Balances

The following funds had deficits at June 30, 2011 as measured by the balances of the fund balance.

- The Allen farm property acquisition fund has a deficit fund balance of \$6,056,445. The Town has bond anticipation notes outstanding for \$6,100,000. The deficit will be eliminated when the long term debt is issued.
- The Sherwood middle school construction fund acquisition fund has a deficit fund balance of \$3,726,398. The Town has bond anticipation notes outstanding for \$22,900,000. The deficit will be eliminated when the long term debt is issued.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

- The acquire land with building (Shrewsbury Federal Credit Union) capital project fund has a deficit fund balance of \$680,000. The Town has bond anticipation notes outstanding for \$680,000. The deficit will be eliminated when the long term debt is issued.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – Town’s Financials

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2011 were \$20,292,284. Of these deposits, \$7,696,055 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Shrewsbury Contributory Retirement System

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

Deposits at December 31, 2010 were \$144,950. Of these deposits, none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – Town Financials

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

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

As of June 30, 2011, the Town had the following investments and maturities:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
U. S. treasury obligations	\$ 1,738,660	\$ -	\$ 1,738,660	\$ -	\$ -
U. S. government agencies	27,339,615	1,009,820	17,489,858	7,732,952	1,106,985
Corporate bonds	3,455,256	313,487	3,141,769	-	-
Money market mutual fund	9,755,078	9,755,078	-	-	-
	<u>42,288,609</u>	<u>\$ 11,078,385</u>	<u>\$ 22,370,287</u>	<u>\$ 7,732,952</u>	<u>\$ 1,106,985</u>
Other Investments:					
Certificates of deposits	14,019,539				
Equity mutual funds	3,103,623				
Equity securities - domestic	6,494				
MMDT	1,004,362				
	<u>\$ 60,422,627</u>				

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$60,422,627 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 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, 2011 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings				
		Aaa	Aa2	A2	B1	Not Rated
Debt Securities:						
U. S. treasury obligations	\$ 1,738,660	\$ 1,738,660	\$ -	\$ -	\$ -	\$ -
U. S. government agencies	27,339,615	27,339,615	-	-	-	-
Corporate bonds	3,455,256	-	2,163,964	612,404	678,888	-
Money market mutual fund	9,755,078	-	-	-	-	9,755,078
	<u>\$ 42,288,609</u>	<u>\$ 29,078,275</u>	<u>\$ 2,163,964</u>	<u>\$ 612,404</u>	<u>\$ 678,888</u>	<u>\$ 9,755,078</u>

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 Company, Federal Home Loan Bank

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

and Federal National Mortgage Association amounting to 6.32%, 14.75% and 24.18%, respectively, of the Town's total investments.

Investment Policies – Shrewsbury Contributory Retirement System

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

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

- Fixed income investments shall be permitted in obligations of the United States or obligations guaranteed as to principal and interest by the Government of the United States, agency securities, corporate bonds (Yankees and bond-like convertibles), municipal bonds, mortgage-back securities (MBS, CMBS and CMO's), and asset-backed securities.
- Fixed income investments shall be permitted in bonds issued by the State of Israel.
- 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.
- 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

- 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, 2010, the System had the following investments and maturities:

Investment Type	Fair Value	Maturity in Years	
		Less Than a Year	6 to 10
Debt Securities:			
Money market mutual funds	\$ 3,526,609	\$ 3,526,609	\$ -
Bond mutual fund	7,066,209	-	7,066,209
	<u>10,592,818</u>	<u>3,526,609</u>	<u>7,066,209</u>
Other Investments:			
Equity securities - Domestic	20,160,295		
Equity mutual funds - International	3,435,020		
Pooled mutual fund-PRIM	32,266,037		
	<u>\$ 66,454,170</u>		

The bond mutual fund has an average maturity of 9.9 years.

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 \$66,454,170 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

The System's exposure to credit risk as of December 31, 2010 is as follows:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Related Debt Instruments	Moody Quality Ratings		
	Fair Value	Aa2	Not Rated
Money market mutual fund	\$ 3,526,609	\$ -	\$ 3,526,609
Bond mutual fund	7,066,209	7,066,209	-
	<u>\$ 10,592,818</u>	<u>\$ 7,066,209</u>	<u>\$ 3,526,609</u>

Concentration of Credit Risk

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

B. Receivables

At June 30, 2011, receivables for the individual major governmental funds and non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	\$ 463,075	\$ (29,043)	\$ 434,032
Deferred property taxes	28,688	-	28,688
Taxes in litigation	10,763	(2,384)	8,379
Tax liens	442,823	(74,820)	368,003
Excise taxes	657,616	(355,000)	302,616
User charges	376,096	(5,000)	371,096
Special assessments	281,708	-	281,708
Due from other governments	31,147,749	-	31,147,749
	<u>\$ 33,408,518</u>	<u>\$ (466,247)</u>	<u>\$ 32,942,271</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

At June 30, 2011 and (December 31, 2010 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer activities:			
User charges	\$ 540,422	\$ (5,000)	\$ 535,422
Other receivables - special assessments (Current)	75,025	-	75,025
Special assessments (Noncurrent)	636,880	-	636,880
	<u>1,252,327</u>	<u>(5,000)</u>	<u>1,247,327</u>
Solid waste activities:			
User charges	63,300	-	63,300
Electric light activities:			
Accounts receivable - customers	1,887,799	(140,000)	1,747,799
Loan receivable	24,176	-	24,176
Other	599,845	-	599,845
	<u>2,511,820</u>	<u>(140,000)</u>	<u>2,371,820</u>
Cablevision activities:			
Accounts receivable - customers	1,231,610	(140,000)	1,091,610
Other	42,597	-	42,597
	<u>1,274,207</u>	<u>(140,000)</u>	<u>1,134,207</u>
	<u>\$ 5,101,654</u>	<u>\$ (285,000)</u>	<u>\$ 4,816,654</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

The composition of amounts due from other governments as of June 30, 2011 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:		
School Building Assistance - Capital Portion	\$ 28,377,056	
Department of Veterans Services:		
Veterans benefits	77,537	\$ 28,454,593

Sherwood Middle School Constuction Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority:		
School Building Assistance - Capital Portion		626,534

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants	510,565	
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Commonwealth of Massachusetts:

Executive Office of Public Safety and Homeland Security:		
Public safety grants	6,930	
Massachusetts Department of Elementary and Secondary Education:		
School grants	8,771	
Massachusetts Department of Transportation:		
CenTech Park East grant	100,000	
Massachusetts Highway Department:		
Chapter 90 funded projects	1,440,356	2,066,622
		<u>\$ 31,147,749</u>

The composition of other receivables in the sewer fund as of June 30, 2011 is the current portion of sewer assessments.

The composition of other receivables in the electric light enterprise fund as of December 31, 2010 is as follows:

SELCO - Cable	\$ 63,423
Due from MMWEC	18,834
Due from town departments	81,241
Merchandise & jobbing receivable	2,172
Government reimbursement receivable	418,566
Other	15,609
	<u>\$ 599,845</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The government reimbursement receivable is an amount due from the Commonwealth of Massachusetts for improvements made to the Route 140 section of town.

The composition of other receivables in the cablevision enterprise fund as of December 31, 2010 is as follows:

Advertising receivables	\$ 32,165
Other	<u>10,432</u>
	<u>\$ 42,597</u>

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

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2011 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$219,032.

The various components of the other deferred revenue reported in the governmental funds were as follows:

General Fund:	
Deferred property taxes	\$ 28,688
Taxes in litigation	8,379
Tax liens	368,003
Excise taxes	302,616
User charges	371,096
Special assessments	181,519
Due from other governments	<u>28,442,861</u> \$ 29,703,162
Nonmajor Governmental Funds:	
Special assessments	100,189
Due from other governments	<u>1,439,732</u> 1,539,921
	<u>\$ 31,243,083</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 14,625,277	\$ 760,000	\$ -	\$ 15,385,277
Construction in progress	2,934,875	10,384,168	(754,210)	12,564,833
Total capital assets not being depreciated	<u>17,560,152</u>	<u>11,144,168</u>	<u>(754,210)</u>	<u>27,950,110</u>
Capital assets being depreciated:				
Buildings and Renovations	121,033,460	-	-	121,033,460
Machinery, equipment and other	6,509,087	216,753	(141,341)	6,584,499
Infrastructure	24,939,522	754,210	-	25,693,732
Total capital assets being depreciated	<u>152,482,069</u>	<u>970,963</u>	<u>(141,341)</u>	<u>153,311,691</u>
Less accumulated depreciation for:				
Buildings and Renovations	37,452,062	4,072,409	-	41,524,471
Machinery, equipment and other	4,901,121	466,743	(141,341)	5,226,523
Infrastructure	7,303,017	772,424	-	8,075,441
Total accumulated depreciation	<u>49,656,200</u>	<u>5,311,576</u>	<u>(141,341)</u>	<u>54,826,435</u>
Total capital assets being depreciated, net	<u>102,825,869</u>	<u>(4,340,613)</u>	<u>-</u>	<u>98,485,256</u>
Total governmental activities capital assets, net	<u>\$ 120,386,021</u>	<u>\$ 6,803,555</u>	<u>\$ (754,210)</u>	<u>\$ 126,435,366</u>

Depreciation expense was charged to functions/programs of the governmental type activities as follows:

Governmental Activities:	
General government	\$ 50,479
Public safety	494,325
Public works	930,435
Education	3,546,658
Health and human services	72,918
Culture and recreation	216,761
Total depreciation expense - governmental activities	<u>\$ 5,311,576</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Sewer Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 45,980	\$ -	\$ 45,980
Total capital assets not being depreciated	-	45,980	-	45,980
Capital assets being depreciated:				
Machinery, equipment and other	487,541	-	-	487,541
Infrastructure	15,741,258	-	-	15,741,258
Total capital assets being depreciated	16,228,799	-	-	16,228,799
Less accumulated depreciation for:				
Machinery, equipment and other	291,585	44,537	-	336,122
Infrastructure	6,866,500	342,645	-	7,209,145
Total accumulated depreciation	7,158,085	387,182	-	7,545,267
Total capital assets being depreciated, net	9,070,714	(387,182)	-	8,683,532
Total business-type activities capital assets, net	\$ 9,070,714	\$ (341,202)	\$ -	\$ 8,729,512

Electric light activities
(as of December 31, 2010)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in progress	26,806	-	(19,677)	7,129
Total capital assets not being depreciated	166,098	-	(19,677)	146,421
Capital assets being depreciated:				
Electric utility plant	49,850,165	1,072,122	(52,822)	50,869,465
Total capital assets being depreciated	49,850,165	1,072,122	(52,822)	50,869,465
Less accumulated depreciation for:				
Electric utility plant	26,839,416	1,495,505	(52,822)	28,282,099
Total accumulated depreciation	26,839,416	1,495,505	(52,822)	28,282,099
Total capital assets being depreciated, net	23,010,749	(423,383)	-	22,587,366
Total business-type activities capital assets, net	\$ 23,176,847	\$ (423,383)	\$ (19,677)	\$ 22,733,787

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Cablevision activities
(as of December 31, 2010)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 12,375	\$ 181,411	\$ -	\$ 193,786
Total capital assets not being depreciated	12,375	181,411	-	193,786
Capital assets being depreciated:				
Plant investment	34,227,490	2,033,640	(97,718)	36,163,412
Total capital assets being depreciated	34,227,490	2,033,640	(97,718)	36,163,412
Less accumulated depreciation	19,718,037	2,353,625	(69,404)	22,002,258
Total capital assets being depreciated, net	14,509,453	(319,985)	(28,314)	14,161,154
Total business-type activities capital assets, net	\$ 14,521,828	\$ (138,574)	\$ (28,314)	\$ 14,354,940

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-Type Activities:	
Sewer enterprise fund	\$ 387,182
Electric light enterprise fund	1,495,505
Cablevision enterprise fund	2,353,625
Total depreciation expense - business-type activities	<u>\$ 4,236,312</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor governmental fund	Business- type funds	
General fund	\$ -	\$ 1,115,771	\$ 692,809	\$ 1,808,580
Nonmajor governmental funds	679,309	-	-	679,309
Business-type funds	882,740	-	-	882,740
Total transfers out	<u>\$ 1,562,049</u>	<u>\$ 1,115,771</u>	<u>\$ 692,809</u>	<u>\$ 3,370,629</u>

The remaining \$58,317 amount shown on the Statement of Activities represents a transfer that occurred when the year end conversion occurred from a fiscal year June 30th end to a calendar year December 31st year end for the enterprise funds.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

E. Short-Term Financing

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

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

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2011
Bond Anticipation Notes:						
Land acquisition	1.50%	11/19/10	\$ 6,100,000	\$ -	\$ 6,100,000	\$ -
Water system improvements	1.50%	11/19/10	700,000	-	700,000	-
Land acquisition	1.50%	11/18/11	-	6,100,000	-	6,100,000
Water system improvements	1.50%	11/18/11	-	700,000	-	700,000
Land acquisition	1.00%	07/15/11	-	680,000	-	680,000
Sherwood Middle School	1.50%	07/15/11	-	22,900,000	-	22,900,000
			<u>\$ 6,800,000</u>	<u>\$ 30,380,000</u>	<u>\$ 6,800,000</u>	<u>\$ 30,380,000</u>

F. Long Term Debt

General Obligation Bonds

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Governmental Funds

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2011
Inside Debt:					
Land Acquisition - Conservation	4.74%	06/01/99	06/01/19	\$ 3,000,000	\$ 1,120,000
Land Acquisition - High School	4.75%	06/01/99	06/01/19	\$ 2,400,000	955,000
High School Construction	4.46%	08/15/01	08/15/21	\$ 58,900,000	3,075,000
High School Construction - Refunded	2.64%	04/15/10	08/15/21	\$ 29,606,000	29,606,000
Land Acquisition - Conservation	4.35%	08/15/01	08/15/19	\$ 2,000,000	110,000
Land Acquisition - Conservation - Refunded	2.37%	04/15/10	08/15/19	\$ 855,000	855,000
School Renovations - Middle School West	4.05%	11/15/04	11/15/24	\$ 7,400,000	5,180,000
School Addition - Parker Road Preschool	3.72%	11/15/04	11/15/19	\$ 1,250,000	740,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	\$ 514,850	244,700
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	\$ 4,520,750	2,105,300
Fire Facilities Renovations	3.44%	02/15/08	02/15/26	\$ 6,800,000	5,660,000
Total Inside Debt					<u>49,651,000</u>
Outside Debt:					
<i>Massachusetts Water Pollution</i>					
<i>Abatement Trust:</i>					
Septic - Title V	N/A	10/25/00	08/01/18	\$ 86,947	38,638
Septic - Title V	N/A	02/01/04	08/01/22	\$ 105,896	66,639
Septic - Title V	N/A	11/16/05	07/15/25	\$ 94,573	70,928
Water Tank	2.96%	02/15/08	02/15/18	\$ 1,250,000	875,000
Total Outside Debt					<u>1,051,205</u>
Subtotal governmental type debt					<u>50,702,205</u>
Add:					
Unamortized gain on advance refunding of general obligation bonds					984,224
Total governmental type debt					<u><u>\$ 51,686,429</u></u>

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,960,128	\$ 2,063,809	\$ 7,023,937
2013	4,940,963	1,877,799	6,818,762
2014	4,865,101	1,716,127	6,581,228
2015	4,815,099	1,543,547	6,358,646
2016	4,755,099	1,354,388	6,109,487
2017-2021	20,090,835	3,765,588	23,856,423
2022-2026	6,274,980	416,169	6,691,149
	<u>\$ 50,702,205</u>	<u>\$ 12,737,427</u>	<u>\$ 63,439,632</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Sewer, Electric Light and Cablevision Enterprise Funds

Business-type debt

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2011
<i>Sewer activities:</i>					
Inside Debt:					
Massachusetts Water Pollution Abatement Trust - Assebet River consortium	N/A	07/15/01	02/01/21	\$ 490,127	\$ 186,666
Assebet River consortium	N/A	07/23/05	07/15/20	\$ 168,653	<u>108,070</u>
					<u>294,736</u>
 <i>Electric light activities: (as of December 31, 2010)</i>					
Outside Debt:					
Installation of transformers	4.23%	08/15/01	08/15/17	\$ 1,760,000	759,000
Electric light plant upgrade	2.52%	02/15/08	02/15/13	\$ 1,000,000	<u>600,000</u>
					<u>1,359,000</u>
 <i>Cablevision activities: (as of December 31, 2010)</i>					
Outside Debt:					
CATV Plant (Refunded)	1.62%	09/03/09	06/01/14	\$ 1,769,500	<u>1,390,000</u>
Total Business-Type Funds					<u>\$ 3,043,736</u>

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

Year	Principal	Interest	Total
2012	\$ 26,899	\$ 9,647	\$ 36,546
2013	26,899	8,415	35,314
2014	26,898	7,508	34,406
2015	30,117	6,988	37,105
2016	30,117	5,882	35,999
2017-2021	153,806	12,264	166,070
	<u>\$ 294,736</u>	<u>\$ 50,704</u>	<u>\$ 345,440</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Debt service requirements for principal and interest for the electric light enterprise fund as of June 30, 2011 are as follows: (The electric light enterprise bonds at June 30, 2011, reflect a principal payment of \$200,000 made on and February 15, 2011).

Year	Principal	Interest	Total
2012	\$ 310,000	\$ 40,570	\$ 350,570
2013	314,000	30,110	344,110
2014	110,000	20,750	130,750
2015	110,000	16,900	126,900
2016	105,000	12,600	117,600
2017-2018	210,000	10,500	220,500
	<u>\$ 1,159,000</u>	<u>\$ 131,430</u>	<u>\$ 1,290,430</u>

Debt service requirements for principal and interest for the cablevision enterprise fund as of June 30, 2011 are as follows: (The cablevision enterprise bonds at June 30, 2011, reflect a principal payment of \$360,000 on June 1, 2011).

Year	Principal	Interest	Total
2012	\$ 350,000	\$ 27,300	\$ 377,300
2013	345,000	20,300	365,300
2014	335,000	13,400	348,400
	<u>\$ 1,030,000</u>	<u>\$ 61,000</u>	<u>\$ 1,091,000</u>

During the fiscal year ended June 30, 2011 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2010), the following changes occurred in long-term liabilities.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 55,486,000	\$ -	\$ 4,960,000	50,526,000	\$ 4,945,000
Massachusetts Water Pollution Abatement Trust	191,333	-	15,128	176,205	15,128
Compensated absences	1,372,468	52,407	154,698	1,270,177	404,085
OPEB obligation payable	10,472,058	5,461,879	-	15,933,937	-
Add: Unamortized gain on advance refunding	1,074,112	-	89,888	984,224	89,888
Governmental activity Long-term liabilities	\$ 68,595,971	\$ 5,514,286	\$ 5,219,714	\$ 68,890,543	\$ 5,454,101
	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Business type activities:					
Sewer activities					
Bond Payable:					
Massachusetts Water Pollution Abatement Trust	\$ 320,967	\$ -	\$ 26,231	\$ 294,736	\$ 26,899
Compensated absences	12,808	4,015	-	16,823	4,206
OPEB obligation payable	38,205	19,624	-	57,829	-
Total sewer activities long term liabilities	371,980	23,639	26,231	369,388	31,105
Electric light activities:					
(as of December 31, 2010)					
Bond Payable:					
General obligation bonds	1,754,650	649,000	1,044,650	1,359,000	310,000
OPEB obligation payable	230,081	115,468	-	345,549	-
Total electric light activities long term liabilities	1,984,731	764,468	1,044,650	1,704,549	310,000
Cablevision activities:					
(as of December 31, 2010)					
Bond Payable:					
General obligation bonds	1,769,500	-	379,500	1,390,000	350,000
OPEB obligation payable	364,855	183,404	-	548,259	-
Total cablevision activities long term liabilities	2,134,355	183,404	379,500	1,938,259	350,000
Total business type activities	\$ 4,491,066	\$ 971,511	\$ 1,450,381	\$ 4,012,196	\$ 691,105

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Advance Refunding – August 26, 2009

On August 26, 2009, the Town issued \$4,465,000 of general obligation refunding bonds with an average interest rate of 1.98 percent to advance refund \$4,400,000 of outstanding bonds with an average interest rate of 4.63 percent. The net amount of \$4,516,872 was paid to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$1,200,000 of the high school land acquisition and \$1,450,000 of conservation land acquisition of governmental activity debt and \$1,750,000 of cable television business-type debt. The advance refunding resulted in an economic loss of \$65,000.

Advance Refunding – April 22, 2010

On April 22, 2010, the Town issued \$31,110,000 of general obligation refunding bonds with an average interest rate of 2.35 percent to advance refund \$32,285,000 of outstanding bonds with an average interest rate of 4.35 percent. The net amount of \$34,781,077 was paid to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$30,745,000 of the high school project and \$880,000 of land acquisition of governmental activity debt and \$660,000 installation of transformers for the light upgrade of business-type debt. The advance refunding resulted in an economic gain of \$1,175,000.

To provide for the payment of the refunded debt, the Town deposited \$34,781,077 into an irrevocable fund designated the "Town of Shrewsbury MA 2011 Refunding Escrow."

Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$756,381 and interest costs of \$287,769 for five loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2011 for principal and interest combined for the loans is \$553,552. 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.

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, 2011 totaled \$49,945,736.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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, 2011:

Equalized Valuation-Real Estate and Personal Property (2010)		\$ 5,064,277,500	
Debt Limit: 5 % of Equalized value		\$ 253,213,875	
Total Debt Outstanding			
General Debt:	\$ 50,702,205		
Less: Debt Outside Debt Limit	<u>1,051,205</u>	\$ 49,651,000	
Business-type Debt:	\$ 2,483,736		
Less: Debt Outside Debt Limit	<u>2,189,000</u>	294,736	
Total Inside Debt		<u>\$ 49,945,736</u>	
Inside Debt Excess Borrowing Capacity at June 30, 2010		<u>\$ 203,268,139</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, 2011 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting	Purpose	Amount
05/18/09	Sherwood Middle School feasibility study and all design/project expenses	600,000
02/09/10	Construct new Sherwood Middle School with assistance from Massachusetts Building Authority	24,400,000
05/17/10	Upgrade existing sewer trunk line from Grafton Street to former sewer treatment facility Shrewsbury and Northborough line	1,600,000
05/18/11	Construction and improvements of sewer trunk line from Grafton Street	3,500,000
05/18/11	Roof and window replacements and all other related costs at the Spring Elementary School	1,310,000
		<u>\$ 31,410,000</u>

G. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town ended June 30, 2011:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

	General Fund	Sherwood Middle School Construction Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:					
Federal, state and local grants	\$ -	\$ -	\$ -	\$ 1,879,870	\$ 1,879,870
School revolving funds	-	-	-	1,468,199	1,468,199
Town revolving funds	-	-	-	95,517	95,517
Donations and gifts	-	-	-	523,548	523,548
Parks and recreation	-	-	-	230,093	230,093
Insurance	-	-	-	526,478	526,478
Debt service	528,723	-	-	71,648	600,371
Filing fees	-	-	-	299,253	299,253
Sale of cemetery lots	-	-	-	39,852	39,852
Sale of real estate	-	-	-	30,000	30,000
Default accounts	-	-	-	102,536	102,536
Inflow/infiltration	-	-	-	1,082,211	1,082,211
Water conservation	-	-	-	117,461	117,461
Capital projects	-	-	-	116,762	116,762
Permanent funds	-	-	-	1,884,066	1,884,066
Rowing center fund	-	-	-	497,153	497,153
Other	-	-	-	178,200	178,200
	<u>528,723</u>	<u>-</u>	<u>-</u>	<u>9,142,847</u>	<u>9,671,570</u>
Committed:					
Capital projects	-	-	-	2,392,636	2,392,636
Cemetery	-	-	-	44,258	44,258
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,436,894</u>	<u>2,436,894</u>
Assigned:					
General government	985,468	-	-	-	985,468
Public safety	74,148	-	-	-	74,148
Public works	3,003,636	-	-	-	3,003,636
Education	362,918	-	-	-	362,918
Health and human services	60,676	-	-	-	60,676
Culture and recreation	33,298	-	-	-	33,298
Employee benefits	10	-	-	42,048	42,058
Fiscal year 2012 budget	2,332,791	-	-	-	2,332,791
	<u>6,852,945</u>	<u>-</u>	<u>-</u>	<u>42,048</u>	<u>6,894,993</u>
Unassigned:					
General Fund	8,074,419	-	-	-	8,074,419
Deficit capital projects:					
Library land purchase	-	-	-	(680,000)	(680,000)
Sherwood Middle school	-	(3,726,398)	-	-	(3,726,398)
Allen Farm property acquisition	-	-	(6,056,460)	-	(6,056,460)
	<u>8,074,419</u>	<u>(3,726,398)</u>	<u>(6,056,460)</u>	<u>(680,000)</u>	<u>(2,388,439)</u>
Total Governmental Fund Balances	\$ 15,456,087	\$ (3,726,398)	\$ (6,056,460)	\$ 10,941,789	\$ 16,615,018

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

H. Special Trust Funds

Stabilization Fund

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

At June 30, 2011 the balance in the stabilization fund is \$158,442 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

Federal Financial Assistance

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Electric Light Enterprise Fund – Power Sales Agreement

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of 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 includes debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should Project Participant fail to make any payment when due, other Project Participants may be required to increase (step up) their payments and correspondingly, their Participant's share of 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 bonds for each of the eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution 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, owned and operated by FPL Energy Wyman IV LLC, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCl) the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCl 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 FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for Seabrook station extends to March 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are

**TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

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

Shrewsbury Electric Light Plant has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both PSAs and PPAs, the Department is requested to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each participant is unconditionally obligated to make all payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

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

As of December 31, 2010, total capital expenditures for MMWEC's projects amounted to \$1,573,048,000, of which \$74,891,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$444,255,000, of which \$22,249,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2010, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$491,543,000, of which \$24,661,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of SELCO Electric's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2010, and estimated for future years is shown below.

For years ended December 31, 2011	\$ 4,040,000
2012	4,033,000
2013	3,935,000
2014	3,713,000
2015	3,580,000
2016 to 2019	5,360,000
	<u>\$ 24,661,000</u>

In addition under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSA's were \$9,396,000 and \$9,506,000 for the years ended December 31, 2010 and 2009, respectively.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Cablevision Enterprise Fund – Commitments and Contingencies

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2015.

The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2010:

For years ending December 31, 2011	5,520,204
2012	3,639,297
2013	2,639,711
2014	1,813,982
2015	95,999
	<u>\$ 13,709,193</u>

Signal purchase expense under these contracts was \$5,373,034 and \$5,225,879 in 2010 and 2009, respectively.

C. Subsequent Event

Long Term Debt

On July 14, 2011 the Town issued \$20,680,200 of general obligation bonds, the proceeds of \$20,000,000 used for the Sherwood Middle School and \$680,000 for the acquisition of land. Interest is payable on July 1 and January 1 commencing on January 1, 2012 at an average rate of 3.57%. The bonds mature on July 1 of the years 2012 through 2031

D. Other Post Employment Benefits Payable

GASB Statement No. 45

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

Plan Description

- The Town provides the following plan types, Blue Cross Blue Shield EPO, Fallon Senior Plan, Fallon Directcare, Fallon Selectcare, Harvard Pilgrim 1st Seniority, Harvard Pilgrim EPO, Harvard Pilgrim PPO, Blue Cross Blue Shield Managed Blue, Medicare HMO Blue, Medex 3, Network Blue New England, Tufts EPO, Tufts Medicare Complement.
- Employees pay various percentages of premiums in retirement.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 2011 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,756,651 consisting of \$1,747,999 for the governmental activities and \$8,652 for the sewer business-type activities. For the calendar year 2010, the electric light fund and cablevision fund premiums plus implicit costs for the retiree medical program are \$77,770 and \$7,257, respectively.

Annual OPEB Cost and Net OPEB Obligation

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

	Governmental Activities	Business Type Activities			Total
		Sewer Fund	Electric Light Fund (as of December 31, 2010)	Cable Operations Fund (as of December 31, 2010)	
Normal cost with interest	\$ 4,805,040	\$ 14,067	\$ 84,451	\$ 132,339	\$ 5,035,897
Amortization of unfunded actuarial accrued liability with interest	2,404,838	14,209	108,787	58,322	2,586,156
Annual OPEB cost (expense)	7,209,878	28,276	193,238	190,661	7,622,053
Contributions made during the fiscal year	1,747,999	8,652	77,770	7,257	1,841,678
Increase in net OPEB obligation	5,461,879	19,624	115,468	183,404	5,780,375
Net OPEB Obligation - beginning of year	10,472,058	38,205	230,081	364,855	11,105,199
Net OPEB Obligation - end of year	\$ 15,933,937	\$ 57,829	\$ 345,549	\$ 548,259	\$ 16,885,574

The governmental activities and the sewer fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 6,721,349	22.4%	\$ 5,213,020
06/30/10	7,209,377	26.5%	10,510,263
06/30/11	7,238,154	24.3%	15,991,766

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The electric light and cable television fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010 calendar year and the two preceding years were as follows:

Calendar Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	\$ 288,856	26.6%	\$ 230,801
12/31/09	382,892	20.1%	594,936
12/31/10	383,899	22.1%	893,808

Funded Status and Funding Process

As of July 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$89,913,036 and the actuarial value of assets was \$0.0 million, resulting in a total unfunded actuarial accrued liability (UAAL) of \$89,913,036. The covered payroll (annual payroll of active employees covered by the plan) was \$58,901,418, and the ratio of the UAAL to the covered payroll was 152.7%.

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/07	\$ -	\$ 72,976,092	\$ 72,976,092	0%	\$ 52,977,722	137.7%
07/01/10	\$ -	\$ 89,913,036	\$ 89,913,036	0%	\$ 58,901,418	152.7%

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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 3.50% rate of return, net of investment expenses. The actuarial assumptions also include an expected payroll growth of 4.50% per annum and medical care inflation as follows:

<u>Year</u>	<u>Inflation Rate</u>
FY 2010	8.0%
FY 2011	7.5%
FY 2012	7.0%
FY 2013	6.5%
FY 2014	6.0%
FY 2015	5.5%
FY 2016 & After	5.0%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis.

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2011 the trust balance is \$1,006,020.

E. Pension Plan

Plan Description

The Town, as a member of the Shrewsbury Contributory Retirement System participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Shrewsbury Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,207,655 for the fiscal year ending June 30, 2011, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2010 is as follows

Active Members	565
Inactive Members	129
Retired Members, Beneficiaries and Survivors	233
	<u>927</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Shrewsbury Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 100 Maple Avenue, Shrewsbury, Massachusetts.

Funding Policy

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

The Town's contribution to the System for the fiscal years ended June 30, 2011, 2010 and 2009 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2011	\$ 3,096,489
2010	\$ 3,021,849
2009	\$ 3,063,067

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

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Vale of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 64,467	\$ 91,059	\$ 26,592	70.8%	\$ 22,460	118.4%
01/01/08	65,665	85,257	19,591	77.0%	22,403	87.4%
01/01/06	54,148	75,979	21,831	71.3%	19,897	109.7%
01/01/04	50,857	65,277	14,419	77.9%	17,996	80.1%
01/01/02	46,779	59,313	12,534	78.9%	16,774	74.7%
01/01/00	48,072	49,487	1,415	97.1%	14,065	10.1%

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The last actuarial valuation was prepared by Buck Consultants as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually and (b) projected salary, including longevity, increases of 2.5% for 2011, 3.0% for 2011, 3.5% for 2012 and after.

The unfunded actuarial liability for the system is \$26,592,340.

Reporting Policies

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

Investments are reported in accordance with PERAC requirements.

5. RESTATEMENT

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General fund increased by \$155,692 to \$14,388,575 to reflect the stabilization fund in the General fund and the beginning fund balance of the stabilization fund (a prior major fund) was decreased by \$155,692.

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, 2011**

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 530,335	\$ 3,433,048	\$ 3,301,592	\$ -	\$ 661,791
Arts Lottery Council Grant	6,696	5,976	6,562	-	6,110
Elderly Programs	10,716	37,765	40,931	-	7,550
Extended Polling Hours	-	8,041	8,041	-	-
Energy Grant (Coolidge)	-	75,000	55,803	-	19,197
Health Grants	25,698	-	2,252	-	23,446
Health Tobacco Control Program	149	-	-	-	149
Highway Grants	-	933,817	933,817	-	-
Lakes and Ponds Grants	15,099	-	800	-	14,299
Library Grants	223,665	38,458	71,218	-	190,905
Municipal Assistance Host Grant	2,024	-	2,024	-	-
Public Safety Grants	12,686	91,583	91,386	-	12,883
Technical Assistance Grants	8,795	-	-	-	8,795
Schools:					
School Lunch Program	25,727	1,766,853	1,696,151	-	96,429
School Lunch Commodities	-	85,971	85,971	-	-
School Choice	-	96,050	3,556	-	92,494
Revolving Accounts	1,955,033	3,178,266	3,854,022	-	1,279,277
State Special Education Reimbursement Fund	417,821	1,256,118	739,194	-	934,745
Other:					
Arts Scholarship Revolving	564	-	564	-	-
Council on Aging Van Revolving	54,514	23,568	17,809	-	60,273
Donahue Rowing Center Revolving	2,105	81,607	54,313	(25,213)	4,186
Filing Fees	317,177	72,238	90,162	-	299,253
Gifts and Donations	323,347	440,516	240,314	-	523,549
Infiltration and Inflow	774,551	307,660	-	-	1,082,211
Insurance Reimbursements	553,328	36,736	63,586	-	526,478
Interest on School Borrowing	205,468	71,649	-	(205,468)	71,649
Law Enforcement Fund	16,891	3,014	4,894	-	15,011
Parks and Recreation Revolving	276,360	333,635	379,902	-	230,093
Police Off Duty Revolving	16,766	309,866	324,551	-	2,081
Public Buildings Revolving	-	20,880	14,417	-	6,463
Sale of Cemetery Lots	36,239	21,613	-	(18,000)	39,852
Sale of Real Estate	315,500	30,000	-	(315,500)	30,000
Septic Loan Program	10,743	-	-	-	10,743
Total Special Revenue Page 70	\$ 6,137,997	\$ 12,759,928	\$ 12,083,832	\$ (564,181)	\$ 6,249,912

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
Continued from Page 70	\$ 6,137,997	\$ 12,759,928	\$ 12,083,832	\$ (564,181)	\$ 6,249,912
Special Revenue (continued):					
Other (continued):					
Septic Loan Repayment Fund	154,894	12,679	-	(15,128)	152,445
Special Needs Recreation Fund	18,402	25,260	21,149	-	22,513
Surety Defaults	102,536	-	-	-	102,536
Water Conservation Fund	159,984	57,477	-	(100,000)	117,461
Cemetery Stabilization Fund	30,385	13,873	-	-	44,258
Rowing Center Fund	463,479	8,461	-	25,213	497,153
Workers Compensation Fund	42,048	-	-	-	42,048
Total Special Revenue Funds	<u>7,109,725</u>	<u>12,877,678</u>	<u>12,104,981</u>	<u>(654,096)</u>	<u>7,228,326</u>
Capital Projects:					
Lakeway State Grant	182,235	-	147,235	-	35,000
Public Works Projects	26,596	2,197,664	2,142,498	-	81,762
Library Land Purchase	-	-	760,000	80,000	(680,000)
Water Projects	1,535,454	-	153,376	1,010,558	2,392,636
Total Capital Projects	<u>1,744,285</u>	<u>2,197,664</u>	<u>3,203,109</u>	<u>1,090,558</u>	<u>1,829,398</u>
Permanent Funds:					
Cemetery Funds	1,195,296	53,173	1,564	-	1,246,905
Library Funds	657,616	11,066	31,522	-	637,160
Total Permanent Funds	<u>1,852,912</u>	<u>64,239</u>	<u>33,086</u>	<u>-</u>	<u>1,884,065</u>
Total - Non-Major Governmental Funds	<u>\$ 10,706,922</u>	<u>\$ 15,139,581</u>	<u>\$ 15,341,176</u>	<u>\$ 436,462</u>	<u>\$ 10,941,789</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, AND
SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
Real Estate Taxes:						
Levy of 2011	\$ -	\$ 49,306,034	\$ 357,102	\$ 48,584,105	\$ 364,827	\$ 364,827
Levy of 2010	379,192	-	75,258	312,697	(8,763)	(8,763)
Levy of 2009	5,129	-	4,480	274	375	375
Levy of 2008	4,931	-	4,661	361	(91)	(91)
Levy of 2007	(78)	-	-	-	(78)	(78)
Prior Years	(1,640)	-	-	-	(1,640)	(1,640)
	<u>387,534</u>	<u>49,306,034</u>	<u>441,501</u>	<u>48,897,437</u>	<u>354,630</u>	<u>354,630</u>
Personal Property Taxes:						
Levy of 2011	-	783,186	4,712	778,134	340	340
Levy of 2010	(367)	-	1,236	731	(2,334)	(2,334)
Levy of 2009	3,050	-	17	-	3,033	3,033
Levy of 2008	1,855	-	-	-	1,855	1,855
Levy of 2007	1,367	-	-	-	1,367	1,367
Prior Years	33,128	-	184	-	32,944	32,944
	<u>39,033</u>	<u>783,186</u>	<u>6,149</u>	<u>778,865</u>	<u>37,205</u>	<u>37,205</u>
Supplemental Taxes	<u>71,538</u>	<u>93,765</u>	<u>4,542</u>	<u>89,521</u>	<u>71,240</u>	<u>71,240</u>
Total Real Estate, Personal Property, and Supplemental Taxes	<u>\$ 498,105</u>	<u>\$ 50,182,985</u>	<u>\$ 452,192</u>	<u>\$ 49,765,823</u>	<u>\$ 463,075</u>	<u>\$ 463,075</u>
Deferred Property Taxes	<u>\$ 27,472</u>	<u>\$ 1,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,688</u>	<u>\$ 28,688</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
Motor Vehicle Excise Taxes:						
Levy of 2011	\$ -	\$ 4,142,505	\$ 158,949	\$ 3,797,509	\$ 186,047	\$ 186,047
Levy of 2010	165,289	553,645	54,086	609,865	54,983	54,983
Levy of 2009	47,025	2,984	1,729	22,981	25,299	25,299
Levy of 2008	30,961	-	845	2,592	27,524	27,524
Levy of 2007	30,137	-	425	1,455	28,257	28,257
Prior Years	339,080	58	308	3,324	335,506	335,020
Total Motor Vehicle Excise Taxes	\$ 612,492	\$ 4,699,192	\$ 216,342	\$ 4,437,726	\$ 657,616	\$ 657,130

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Accounts July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2011	Uncollected Accounts Per Detail June 30, 2011
Tax Liens	\$ 562,194	\$ 206,722	\$ 1,163	\$ 324,930	\$ 442,823	\$ 446,484
Taxes in Litigation	\$ 6,479	\$ 7,958	\$ 9	\$ 3,665	\$ 10,763	\$ 10,763

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edwardswildman.com

(Date of Delivery)

Carolyn Marcotte, Treasurer
Town of Shrewsbury
Shrewsbury, Massachusetts

\$6,100,000
Town of Shrewsbury, Massachusetts
General Obligation Land Acquisition Bonds, Series A
(Subject to Federal and Massachusetts Income Taxation)
Dated November 15, 2012

We have acted as bond counsel to the Town of Shrewsbury, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.
2. Interest on the Bonds is includable in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.
3. Interest on the Bonds is subject to Massachusetts personal income taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is not intended or written by Edwards Wildman Palmer LLP to be used and cannot be used by you for the purpose of avoiding penalties that may be imposed under federal tax law in connection with the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Wildman Palmer LLP

(Date of Delivery)

Carolyn Marcotte, Treasurer
Town of Shrewsbury
Shrewsbury, Massachusetts

\$681,000
Town of Shrewsbury, Massachusetts
General Obligation Water Bonds, Series B
Dated November 15, 2012

We have acted as bond counsel to the Town of Shrewsbury, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross

income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Wildman Palmer LLP

AM 17515200.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Shrewsbury, Massachusetts (the “Issuer”) in connection with the issuance of its \$6,100,000 General Obligation Land Acquisition Bonds, Series A and \$681,000 General Obligation Water Bonds, Series B dated November 15, 2012 (collectively, the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated October 30, 2012 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: November 15, 2012

TOWN OF SHREWSBURY,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

AM 17542752.1