

**TOWN OF SHREWSBURY, MASSACHUSETTS**

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

**For the Year Ended June 30, 2014**

**TOWN OF SHREWSBURY, MASSACHUSETTS**

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To the Honorable Board of Selectmen  
Town of Shrewsbury, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the year ended June 30, 2014 (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, 2013), and the related notes to the financial statements which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements as listed in the table of contents. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are both major funds and 46 percent and 21 percent of the assets, 44 percent and 22 percent of the net position, and 56 percent and 29 percent of the operating revenues of the business-type activities.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represent 46 percent and 21 percent of the assets, 44 percent and 22 percent of the net position, and 56 percent and 29 percent of the operating revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2014, (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, 2013), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and the *Schedule of Funding Progress and Employer Contributions* on pages 68 and 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Town of Shrewsbury Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shrewsbury, Massachusetts' internal control over financial reporting and compliance.

  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

January 12, 2015

## **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, 2014. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$199,688,490 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$196,450,517 an increase of \$3,237,973 (2%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$30,138,919, an increase of \$747,562 (3%) in comparison with prior year.
- The General Fund's total fund balance decreased \$760,057 (5%) to \$16,019,218. The ending General fund balance is 15% of revenues and transfers in and 15% of expenditures and transfers out.
- Total liabilities of the Governmental Activities increased by \$5,112,547 (4%) to \$110,860,794 during the fiscal year. This net change resulted from a net increase in current liabilities of \$5,233,180 (29%) (the major components of which were an increase in warrants payable of \$3,506,463 and in bond anticipation notes of \$1,254,759) and a net decrease in noncurrent liabilities of \$166,074 (the major components of which were an increase in the other post employment benefit (OPEB) liability of \$4,640,824 and a decrease in bonds payable of \$4,359,109).
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$5,591,137. The key factors that attributed to the free cash amount for fiscal year 2014 are, approximately, as follows:
  - Unexpended/unencumbered appropriations \$ 1,497,500.
  - Excess over budget – state and local receipts \$ 2,439,100.
  - Prior year unappropriated free cash \$ 1,534,000.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial Highlights

### Statement of Net Position Highlights

	Governmental Activities		
	2014	2013	Change
<b>Assets:</b>			
Current assets	\$ 44,379,233	\$ 45,737,158	\$ (1,357,925)
Noncurrent assets (excluding capital)	18,413,409	21,082,500	(2,669,091)
Capital assets	152,294,977	153,142,310	(847,333)
<b>Total assets</b>	<b>215,087,619</b>	<b>219,961,968</b>	<b>(4,874,349)</b>
<b>Total Deferred Outflows of Resources</b>	<b>278,461</b>	<b>299,230</b>	<b>(20,769)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	9,347,768	9,534,229	(186,461)
Current debt	6,406,099	8,706,101	(2,300,002)
Noncurrent liabilities (excluding debt)	30,004,616	25,871,687	4,132,929
Noncurrent debt	55,360,915	61,131,013	(5,770,098)
<b>Total liabilities</b>	<b>101,119,398</b>	<b>105,243,030</b>	<b>(4,123,632)</b>
<b>Total Deferred Inflows of Resources</b>	<b>714,559</b>	<b>804,447</b>	<b>(89,888)</b>
<b>Net Position:</b>			
Net investment in capital assets	111,111,432	106,406,562	4,704,870
Restricted	14,541,195	14,614,584	(73,389)
Unrestricted	(12,119,504)	(6,807,425)	(5,312,079)
<b>Total net position</b>	<b>\$ 113,533,123</b>	<b>\$ 114,213,721</b>	<b>\$ (680,598)</b>

	Business-Type Activities		
	2014	2013	Change
<b>Assets:</b>			
Current assets	\$ 35,270,547	\$ 36,258,329	\$ (987,782)
Noncurrent assets (excluding capital assets)	16,075,533	12,375,003	3,700,530
Capital assets	50,953,758	48,209,659	2,744,099
<b>Total assets</b>	<b>102,299,838</b>	<b>96,842,991</b>	<b>5,456,847</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	3,695,337	3,777,166	(81,829)
Current debt	4,094,424	720,606	3,373,818
Noncurrent liabilities (excluding debt)	575,092	654,267	(79,175)
Noncurrent debt	1,377,543	1,892,208	(514,665)
<b>Total liabilities</b>	<b>9,742,396</b>	<b>7,044,247</b>	<b>2,698,149</b>
<b>Total Deferred Inflows of Resources</b>	<b>6,402,075</b>	<b>7,561,948</b>	<b>(1,159,873)</b>
<b>Net Position:</b>			
Net investment in capital assets	45,542,885	45,657,939	(115,054)
Restricted	3,355,644	3,305,716	49,928
Unrestricted	37,256,838	33,273,141	3,983,697
<b>Total net position</b>	<b>\$ 86,155,367</b>	<b>\$ 82,236,796</b>	<b>\$ 3,918,571</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2014	2013	Change
<b>Program Revenues:</b>			
Charges for services	\$ 14,149,556	\$ 12,679,148	\$ 1,470,408
Operating grants and contributions	36,153,373	35,573,687	579,686
Capital grants and contributions	2,846,477	5,825,746	(2,979,269)
<b>General Revenues:</b>			
Property taxes	58,048,111	55,789,702	2,258,409
Motor vehicle excise and other taxes	5,201,162	4,957,205	243,957
Hotel room occupancy and meals taxes	463,445	430,214	33,231
Penalties and interest on taxes	299,232	225,529	73,703
Nonrestricted grants	2,644,552	2,670,526	(25,974)
Unrestricted investment income	693,581	(216,729)	910,310
Gain on sale of capital asset	-	97,041	(97,041)
Miscellaneous	9,189	39,548	(30,359)
<b>Total revenues</b>	<b>120,508,678</b>	<b>118,071,617</b>	<b>2,437,061</b>
<b>Expenses:</b>			
General government	6,639,632	6,239,161	400,471
Public safety	8,410,862	8,244,427	166,435
Public works (including water)	5,971,685	6,037,811	(66,126)
Education	66,476,638	63,844,198	2,632,440
Health and human services	812,451	773,683	38,768
Culture and recreation	2,268,950	2,215,709	53,241
Employee benefits and insurance	26,785,226	25,867,001	918,225
State assessments	1,667,795	1,703,400	(35,605)
Interest	2,409,839	2,647,289	(237,450)
<b>Total expenses</b>	<b>121,443,078</b>	<b>117,572,679</b>	<b>3,870,399</b>
<b>Transfers</b>	<b>253,802</b>	<b>30,318</b>	<b>223,484</b>
<b>Change in net position</b>	<b>(680,598)</b>	<b>529,256</b>	<b>(1,209,854)</b>
<b>Net position - beginning of year</b>	<b>114,213,721</b>	<b>113,684,465</b>	<b>529,256</b>
<b>Net position - end of year</b>	<b>\$ 113,533,123</b>	<b>\$ 114,213,721</b>	<b>\$ (680,598)</b>

	<b>Business-Type Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 57,126,471	\$ 55,865,929	\$ 1,260,542
Operating grants and contributions	119,521	121,682	(2,161)
Capital grants and contributions	-	547,078	(547,078)
<b>Total revenues</b>	<b>57,245,992</b>	<b>56,534,689</b>	<b>711,303</b>
<b>Expenses:</b>			
Sewer	5,578,138	5,235,495	342,643
Solid waste	1,827,368	1,775,168	52,200
Electric light	30,896,029	29,794,890	1,101,139
Community Cablevision	14,793,263	14,672,965	120,298
<b>Total expenses</b>	<b>53,094,798</b>	<b>51,478,518</b>	<b>1,616,280</b>
<b>Transfers</b>	<b>(232,623)</b>	<b>(29,969)</b>	<b>(202,654)</b>
<b>Change in net position</b>	<b>3,918,571</b>	<b>5,026,202</b>	<b>(1,107,631)</b>
<b>Net position - beginning of year</b>	<b>82,236,796</b>	<b>77,210,594</b>	<b>5,026,202</b>
<b>Net position - end of year</b>	<b>\$ 86,155,367</b>	<b>\$ 82,236,796</b>	<b>\$ 3,918,571</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$199,688,490 at the close of fiscal year 2014.

Net position of \$156,654,317 (78%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$17,896,839 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$25,137,334 (13%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

The governmental activities net position increased by \$680,598 (.6%) during the current fiscal during the current fiscal year, which reflects the general fund's results of operation. The key elements of the increase in net position for fiscal year 2014 was attributed to an increase as a result of the net change in debt of \$5,746,100 and decreases in the depreciation expense (normally spread out over the useful life of the asset) for the year of \$5,789,939 exceeding the acquisition of \$4,942,606 in new capital assets and as a result of recognizing this year's OPEB obligation of \$4,121,063.

There was an increase of \$3,918,571 in net position reported in the business-type activities. Of this, the sewer fund, electric light fund and cable operations fund incurred increases of \$1,542,683, \$1,009,094 and \$1,376,094, respectively and the solid waste fund incurred a decrease of \$9,398.

## 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 \$30,138,919 an increase of \$747,562 (3%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Restricted fund balance - \$12,979,683 (43%).
- Committed fund balance - \$2,217,007 (7%).
- Assigned fund balance - \$7,763,972 (26%).
- Unassigned fund balance - \$7,178,257 (24%).

### Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$16,019,218 decreasing \$760,057 from the prior year. Of the \$16,019,218, the unassigned amount is \$7,178,257 (45%), the assigned amount is \$7,763,972 (48%) and the restricted amount is \$1,076,989 (7%). General fund revenues were \$5,662,305 (6%) more than the prior fiscal year while expenditures also increased by \$6,031,052 (6%). Other activity in the General Fund was net transfers of \$968,985.

The revenues increased across the board with the main increase of property taxes of \$2,532,077 (5%) and investment income of \$910,310 (420%) as a result of improved market trends from the prior year.

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

- Increase in Education expenditures of \$2,837,356 (6%).
- Increase in Employee benefits and insurance expenditures of \$1,698,715 (8%).
- Decrease in Interest on debt service expenditures of \$283,453 (10%).

### Major Proprietary Funds

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

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$1,542,683 attributed to operating revenues exceeding current operating costs by \$1,740,679, intergovernmental revenues of \$9,781, interest expense of \$33,132 and transfers in from the general fund of \$174,645. Operating revenues decreased by \$507,411 (7%) while operating expenses increased by \$320,312 (6%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the Town's solid waste operations. The solid waste fund shows a decrease of \$9,398 attributed to operational expenditures exceeding revenues by \$962,171 and transfers in from the general fund for \$952,773. Operating revenues increased by \$5,906 (1%) and operating expenses also increased by \$52,200 (3%) from the prior year.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2013 shows an increase of \$1,009,192, attributed to operating revenues exceeding operating expenses by \$1,289,352, investment income of \$92,430, gain on sale/disposal of

equipment of \$2,115, other income of \$9,705, interest expense of \$21,913 and transfers to the general fund of \$362,497. The Electric Light is audited by other auditors and has issued a separate audit report which has further details.

The *Cable Operations Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2013 shows an increase of \$1,376,094, attributed to operating revenue exceeding operating expenses of \$2,078,886, a loss on sale/disposal of equipment of \$43,752, interest expense of \$16,276, other income of \$5,490 and transfers to the general fund of \$648,254. The Cable is audited by other auditors and has issued a separate audit report which has further details.

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2014 was \$106,200,785. This was an increase of \$4,158,990 (4%) over the previous year's budget. The main categories of the increase were education and employee benefits and insurance.

There was an increase of \$443,899 between the original budget and the final amended budget. The changes are attributed to votes at the special town meeting in October 2013 and the annual town meeting in May 2014.

General fund expenditures were less than budgeted by \$6,393,985. Of the \$6,393,985 in under budget expenditures, \$4,896,472 has been carried over to fiscal year 2015.

The variance with the final budget was a positive \$4,496,977 consisting of a revenue surplus of \$2,999,464 (due in large part from excise and other taxes, charges for service and property taxes) and an appropriation surplus of \$1,497,513 (due in part from a higher budget for public works (including water) and general government expenditures than expensed).

### **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, 2014, (December 31, 2013 for the electric light fund and the cable operations fund) amounts to \$152,294,977 and \$50,953,758, 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:

- Foreclosure properties for \$30,850.
- Maintenance vehicle for \$18,908.
- Police vehicles for \$92,880.
- Department of public works vehicles for \$99,124.
- Road infrastructure improvements for \$2,752,236.
- New Sherwood Middle school construction for \$1,218,590.
- Parks equipment/mower for \$56,548.
- Library buildings improvements for \$673,470.

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

In the Sewer Fund:

- Sewer infrastructure improvements for \$3,981,667.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2014, totaled \$61,766,014. The primary debt is school debt of \$47,815,000, land acquisition debt of \$8,190,000, fire facility renovations of \$4,520,000, water improvements for \$1,110,000 and septic Title V debt of \$131,014.

The business-type funds have \$1,892,208 consisting of sewer activity debt of \$1,132,208, electric light activity debt of \$425,000 (at December 31, 2013) and cable operations activity debt of \$335,000 (at December 31, 2013).

The Town also has bond anticipation notes outstanding as of June 30, 2014 in the amount of \$3,579,759 for business-type activities.

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

**Next Year's Annual Town Meeting**

The Town of Shrewsbury operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2014 do not reflect the fiscal year 2015 Town Meeting action except for the free cash amount. The Annual Town Meeting on May 20, 2014 authorized a fiscal year 2015 operating and capital budget as follows:

From the tax levy		\$	96,068,958
From sewer fund			7,362,748
From electric light fund			843,989
From community cablevision fund			800,000
From solid waste fund			900,000
From Other Available Funds:			
<b>General Fund:</b>			
Unassigned fund balance:			
Free cash	\$	2,857,500	
Continuing Appropriations		106,560	2,964,060
<b>Non-major Governmental Funds:</b>			
Cemetery sale of lots		18,000	
Gifts		30,000	
Interest on school borrowing		25,000	
Water projects		1,253,524	
Septic loan repayment fund		15,099	
Spring street school project		21,113	
Sherwood middle school project		200,000	1,562,736
			<u>\$ 110,502,491</u>

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 10,928,299	\$ 10,422,833	\$ 21,351,132
Investments	26,789,872	16,059,430	42,849,302
Receivables, net of allowance for uncollectibles:			
Property Taxes	594,059	-	594,059
Tax Liens	691,320	-	691,320
Excise Taxes	359,776	-	359,776
User Charges	458,911	4,693,859	5,152,770
Other	-	493,306	493,306
Special Assessments	18,408	84,874	103,282
Due from Other Governments	4,538,588	61,094	4,599,682
Loan Receivable	-	32,857	32,857
Materials and Supplies	-	645,008	645,008
Purchased Power Working Capital	-	2,360,056	2,360,056
Prepaid Expenses	-	417,230	417,230
Total current assets	<u>44,379,233</u>	<u>35,270,547</u>	<u>79,649,780</u>
<b>NONCURRENT:</b>			
Restricted Cash and Investments	-	14,395,323	14,395,323
Receivables, net of allowance for uncollectibles:			
Special Assessments	177,080	687,173	864,253
Due from Other Governments	18,236,329	-	18,236,329
Loan Receivable	-	127,130	127,130
Other	-	865,907	865,907
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	56,991,579	3,979,281	60,970,860
Depreciable	95,303,398	46,974,477	142,277,875
Total noncurrent assets	<u>170,708,386</u>	<u>67,029,291</u>	<u>237,737,677</u>
<b>Total Assets</b>	<u>215,087,619</u>	<u>102,299,838</u>	<u>317,387,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	278,461	-	278,461
<b>Total Deferred Outflows of Resources</b>	<u>278,461</u>	<u>-</u>	<u>278,461</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	2,235,734	3,625,015	5,860,749
Accrued Payroll	4,486,719	16,117	4,502,836
Payroll Withholdings	777,888	-	777,888
Tax Refund Payable	73,700	-	73,700
Accrued Interest	928,367	10,909	939,276
Other	463,257	40,000	503,257
Compensated Absences	382,103	3,296	385,399
Bond Anticipation Notes	-	3,579,759	3,579,759
Bonds Payable	6,405,099	514,665	6,919,764
Total current liabilities	<u>15,752,867</u>	<u>7,789,761</u>	<u>23,542,628</u>
<b>NONCURRENT:</b>			
Other	-	45,441	45,441
Compensated Absences	826,307	9,890	836,197
OPEB Obligation Payable	29,178,309	519,761	29,698,070
Bonds Payable	55,360,915	1,377,543	56,738,458
Total noncurrent liabilities	<u>85,365,531</u>	<u>1,952,635</u>	<u>87,318,166</u>
<b>Total Liabilities</b>	<u>101,118,398</u>	<u>9,742,396</u>	<u>110,860,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate Stabilization Reserve	-	6,402,075	6,402,075
Deferred Gain on Refunding	714,559	-	714,559
<b>Total Deferred Inflows of Resources</b>	<u>714,559</u>	<u>6,402,075</u>	<u>7,116,634</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	111,111,432	45,542,885	156,654,317
Restricted for:			
Capital Projects	1,520,869	-	1,520,869
Federal & State Grants	3,115,008	-	3,115,008
Permanent Funds	2,024,344	-	2,024,344
Other Purposes	7,880,974	-	7,880,974
Depreciation	-	3,355,644	3,355,644
Unrestricted	(12,119,504)	37,256,838	25,137,334
<b>Total Net Position</b>	<u>\$ 113,533,123</u>	<u>\$ 86,155,367</u>	<u>\$ 199,688,490</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, 2014**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 6,639,632	\$ 495,693	\$ 252,291	\$ -	\$ (5,891,648)	\$ -	\$ (5,891,648)
Public Safety	8,410,862	1,287,043	220,166	-	(6,903,653)	-	(6,903,653)
Public Works (including Water)	5,971,685	4,021,617	153,475	1,133,302	(663,291)	-	(663,291)
Education	66,476,638	5,800,974	25,472,711	120,981	(35,081,972)	-	(35,081,972)
Health and Human Services	812,451	2,118,952	229,240	-	1,535,741	-	1,535,741
Culture and Recreation	2,268,950	425,277	157,068	1,592,194	(94,411)	-	(94,411)
Employee Benefits and Insurance	26,785,226	-	8,886,947	-	(17,898,279)	-	(17,898,279)
State Assessments	1,667,795	-	-	-	(1,667,795)	-	(1,667,795)
Interest	2,409,839	-	781,475	-	(1,628,364)	-	(1,628,364)
<b>Total Governmental Activities</b>	<b>121,443,078</b>	<b>14,149,556</b>	<b>36,153,373</b>	<b>2,846,477</b>	<b>(68,293,672)</b>	<b>-</b>	<b>(68,293,672)</b>
<b>Business-Type Activities:</b>							
Sewer	5,578,138	7,285,685	9,781	-	-	1,717,328	1,717,328
Solid Waste	1,827,368	865,197	-	-	-	(962,171)	(962,171)
Electric Light	30,896,029	32,163,468	104,250	-	-	1,371,689	1,371,689
Community Cablevision	14,793,263	16,812,121	5,490	-	-	2,024,348	2,024,348
<b>Total Primary Government</b>	<b>\$ 174,537,876</b>	<b>\$ 71,276,027</b>	<b>\$ 36,272,894</b>	<b>\$ 2,846,477</b>	<b>(68,293,672)</b>	<b>4,151,194</b>	<b>(64,142,478)</b>
<b>General Revenues:</b>							
Property Taxes					58,048,111	-	58,048,111
Motor vehicle and other taxes					5,201,162	-	5,201,162
Hotel Room Occupancy and Meal Taxes					463,445	-	463,445
Penalties & Interest on Taxes					299,232	-	299,232
Grants & Contributions not restricted to specific programs					2,644,552	-	2,644,552
Unrestricted Investment Income					693,581	-	693,581
Miscellaneous					9,189	-	9,189
<b>Transfers, net</b>					253,802	(232,623)	21,179
<b>Total General Revenues and Transfers</b>					<b>67,613,074</b>	<b>(232,623)</b>	<b>67,380,451</b>
<b>Change in Net Position</b>					<b>(680,598)</b>	<b>3,918,571</b>	<b>3,237,973</b>
<b>Net Position:</b>							
Beginning of year					114,213,721	82,236,796	196,450,517
End of year					\$ 113,533,123	\$ 86,155,367	\$ 199,688,490

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2014**

<b>Total Governmental Fund Balances</b>		<b>\$ 30,138,919</b>
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		152,294,977
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		24,616,425
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (61,766,014)	
Deferred Charges on Debt Refunding	(436,098)	
Other Post Employment Benefits Payable	(29,178,309)	
Compensated Absences	<u>(1,208,410)</u>	(92,588,831)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(928,367)</u>
<b>Net Position of Governmental Activities</b>		<b><u>\$ 113,533,123</u></b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ 747,562

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	\$ 4,942,606	
Depreciation	<u>(5,789,939)</u>	(847,333)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflow - unavailable revenue. (2,385,979)

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

Repayment of Debt Principal	6,381,101	
Amortization of Net Gain/Loss on Refunding	69,118	
Proceeds from Bonds	<u>(635,000)</u>	5,815,219

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	25,240	
Net Change in Other Post Employment Benefits	(4,121,063)	
Net Change in Accrued Interest on Long-Term Debt	<u>85,756</u>	(4,010,067)

**Change in Net Position of Governmental Activities** \$ (680,598)

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, 2014**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original Budget	Final Budget	Budgetary Basis	Carried Forward to Next Year	Final Budget Positive (Negative)
<b>Revenues:</b>					
Property Taxes	\$ 57,283,481	\$ 57,274,014	\$ 57,834,348	\$ -	\$ 560,334
Intergovernmental	25,424,475	25,424,475	25,855,536	-	431,061
Excise and Other Taxes	4,932,000	4,932,000	5,721,711	-	789,711
Charges for Service	4,800,000	4,800,000	5,588,036	-	788,036
Licenses, Permits, and Fees	1,680,271	1,680,271	1,954,714	-	274,443
Interest on Taxes	220,000	220,000	299,232	-	79,232
Interest on Investments	325,000	325,000	401,647	-	76,647
<b>Total Revenues</b>	<b>94,665,227</b>	<b>94,655,760</b>	<b>97,655,224</b>	<b>-</b>	<b>2,999,464</b>
<b>Expenditures:</b>					
Current:					
General Government	7,471,084	7,454,082	6,389,136	724,661	340,285
Public Safety	7,631,327	7,748,060	7,586,975	6,137	154,948
Public Works (including Water)	10,540,162	10,811,637	6,599,935	3,804,947	406,755
Education	52,747,894	52,747,894	52,573,960	173,934	-
Health and Human Services	667,879	700,362	627,632	8,106	64,624
Culture and Recreation	1,868,933	1,879,080	1,642,353	161,628	75,099
Employee Benefits and Insurance	14,061,034	14,084,697	13,777,215	17,059	290,423
State Assessments	1,807,169	1,807,169	1,667,795	-	139,374
Debt Service:					
Principal	6,381,102	6,407,102	6,381,101	-	26,001
Interest	2,580,302	2,560,702	2,560,698	-	4
<b>Total Expenditures</b>	<b>105,756,886</b>	<b>106,200,785</b>	<b>99,806,800</b>	<b>4,896,472</b>	<b>1,497,513</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(11,091,659)</b>	<b>(11,545,025)</b>	<b>(2,151,576)</b>	<b>(4,896,472)</b>	<b>4,496,977</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	1,188,436	967,436	968,985	-	1,549
<b>Total Other Financing Sources (Uses)</b>	<b>1,188,436</b>	<b>967,436</b>	<b>968,985</b>	<b>-</b>	<b>1,549</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(9,903,223)</b>	<b>(10,577,589)</b>	<b>(1,182,591)</b>	<b>(4,896,472)</b>	<b>4,498,526</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>16,553,180</b>	<b>16,553,180</b>	<b>16,553,180</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 6,649,957</b>	<b>\$ 5,975,591</b>	<b>\$ 15,370,589</b>	<b>\$ (4,896,472)</b>	<b>\$ 4,498,526</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2014**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 97,655,224</b>	<b>\$ 99,806,800</b>
 <i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	20,034	-
Net Increase in Revenue from recording Refund Taxes Payable	56,300	-
Recognition of Intergovernmental Revenue - "on behalf payments"	8,890,963	-
Recognition of Expenditures - "on behalf payments"	-	8,890,963
Net Change in Fair Value of Investments	271,900	-
Net Increase in Revenue from Recording 60-Day Receipts	74,300	-
<b>Reported on a GAAP Basis</b>	<b>\$ 106,968,721</b>	<b>\$ 108,697,763</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2014**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund	Cable Operations Fund	
			(as of December 31, 2013)		
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and Cash Equivalents	\$ 6,749,468	\$ 144,572	\$ 1,593,329	\$ 1,935,464	\$ 10,422,833
Investments	10,545,812	-	2,489,522	3,024,096	16,059,430
User Charges, net of allowance	928,503	47,600	2,450,700	1,267,056	4,693,859
Other Receivables	-	-	474,382	18,924	493,306
Special Assessments	84,874	-	-	-	84,874
Due From Other Governments	61,094	-	-	-	61,094
Materials and Supplies	-	-	239,046	405,962	645,008
Loan Receivable	-	-	32,857	-	32,857
Purchased Power Working Capital	-	-	2,360,056	-	2,360,056
Prepaid Expenses	-	-	303,476	113,754	417,230
<b>Total current assets</b>	<b>18,369,751</b>	<b>192,172</b>	<b>9,943,368</b>	<b>6,765,256</b>	<b>35,270,547</b>
<b>NONCURRENT:</b>					
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,355,644	-	3,355,644
Rate Stabilization Reserve Fund	-	-	6,402,075	-	6,402,075
Investment in Other Companies	-	-	20,821	-	20,821
Construction Fund	-	-	3,116,783	-	3,116,783
Power Cost Adjustment Fund	-	-	1,500,000	-	1,500,000
Special Assessments Receivable	687,173	-	-	-	687,173
Loan Receivable	-	-	127,130	-	127,130
Other	-	-	862,178	3,729	865,907
Capital Assets, net of accumulated depreciation:					
Nondepreciable	3,634,162	-	341,989	3,130	3,979,281
Depreciable	11,142,403	-	21,533,383	14,298,691	46,974,477
<b>Total noncurrent assets</b>	<b>15,463,738</b>	<b>-</b>	<b>37,260,003</b>	<b>14,305,550</b>	<b>67,029,291</b>
<b>Total Assets</b>	<b>33,833,489</b>	<b>192,172</b>	<b>47,203,371</b>	<b>21,070,806</b>	<b>102,299,838</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Accounts Payable	69,439	41,450	2,565,656	948,470	3,625,015
Accrued Payroll	16,117	-	-	-	16,117
Accrued Interest	9,793	-	-	1,116	10,909
Other	-	-	-	40,000	40,000
Compensated Absences	3,296	-	-	-	3,296
Bond Anticipation Notes	3,579,759	-	-	-	3,579,759
Bonds Payable	69,665	-	110,000	335,000	514,665
<b>Total current liabilities</b>	<b>3,748,069</b>	<b>41,450</b>	<b>2,675,656</b>	<b>1,324,586</b>	<b>7,789,761</b>
<b>NONCURRENT:</b>					
Other	-	-	38,054	7,387	45,441
Compensated Absences	9,890	-	-	-	9,890
OPEB Obligation Payable	117,719	-	-	402,042	519,761
Bonds Payable	1,062,543	-	315,000	-	1,377,543
<b>Total noncurrent liabilities</b>	<b>1,190,152</b>	<b>-</b>	<b>353,054</b>	<b>409,429</b>	<b>1,952,635</b>
<b>Total Liabilities</b>	<b>4,938,221</b>	<b>41,450</b>	<b>3,028,710</b>	<b>1,734,015</b>	<b>9,742,396</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Rate Stabilization Reserve	-	-	6,402,075	-	6,402,075
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>6,402,075</b>	<b>-</b>	<b>6,402,075</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	10,125,692	-	21,450,372	13,966,821	45,542,885
Restricted for Depreciation	-	-	3,355,644	-	3,355,644
Unrestricted	18,769,576	150,722	12,966,570	5,369,970	37,256,838
<b>Total Net Position</b>	<b>\$ 28,895,268</b>	<b>\$ 150,722</b>	<b>\$ 37,772,586</b>	<b>\$ 19,336,791</b>	<b>\$ 86,155,367</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2013)	Cable Operations Fund (as of December 31, 2013)	
<b>Operating Revenues:</b>					
Charges for Services	7,241,487	865,197	\$ 31,835,215	\$ 16,455,285	\$ 56,397,184
Other	44,198	-	328,253	356,836	729,287
<b>Total Operating Revenues</b>	<b>7,285,685</b>	<b>865,197</b>	<b>32,163,468</b>	<b>16,812,121</b>	<b>57,126,471</b>
<b>Operating Expenses:</b>					
Salaries & Wages	372,428	-	-	-	372,428
Operating Expenses	4,621,258	1,827,368	27,853,366	11,614,030	45,916,022
Maintenance Expenses	-	-	1,429,901	413,979	1,843,880
Depreciation	551,320	-	1,590,849	2,705,226	4,847,395
<b>Total Operating Expenses</b>	<b>5,545,006</b>	<b>1,827,368</b>	<b>30,874,116</b>	<b>14,733,235</b>	<b>52,979,725</b>
<b>Operating Income (Loss)</b>	<b>1,740,679</b>	<b>(962,171)</b>	<b>1,289,352</b>	<b>2,078,886</b>	<b>4,146,746</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	-	-	92,430	-	92,430
Intergovernmental	9,781	-	-	-	9,781
Gain (Loss) on Sale/Disposal of Equipment	-	-	2,115	(43,752)	(41,637)
Other	-	-	9,705	5,490	15,195
Interest Expense	(33,132)	-	(21,913)	(16,276)	(71,321)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(23,351)</b>	<b>-</b>	<b>82,337</b>	<b>(54,538)</b>	<b>4,448</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>1,717,328</b>	<b>(962,171)</b>	<b>1,371,689</b>	<b>2,024,348</b>	<b>4,151,194</b>
<b>Operating Transfers:</b>					
Transfer In	-	952,773	-	-	952,773
Transfers (Out)	(174,645)	-	(362,497)	(648,254)	(1,185,396)
<b>Total Operating Transfers</b>	<b>(174,645)</b>	<b>952,773</b>	<b>(362,497)</b>	<b>(648,254)</b>	<b>(232,623)</b>
<b>Change in Net Position</b>	<b>1,542,683</b>	<b>(9,398)</b>	<b>1,009,192</b>	<b>1,376,094</b>	<b>3,918,571</b>
<b>Net Position at Beginning of Year</b>	<b>27,352,585</b>	<b>160,120</b>	<b>36,763,394</b>	<b>17,960,697</b>	<b>82,236,796</b>
<b>Net Position at End of Year</b>	<b>\$ 28,895,268</b>	<b>\$ 150,722</b>	<b>\$ 37,772,586</b>	<b>\$ 19,336,791</b>	<b>\$ 86,155,367</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2013)	Cable Operations Fund (as of December 31, 2013)	
<b>Cash Flows From Operating Activities:</b>					
Receipts from Customers and Users	7,363,611	868,447	31,079,549	16,639,369	\$ 55,950,976
Receipts from Other Revenues	44,198	-	-	-	44,198
Payments to Vendors and Employees	(5,029,841)	(1,830,772)	(29,544,884)	(12,026,590)	(48,432,087)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>2,377,968</b>	<b>(962,325)</b>	<b>1,534,665</b>	<b>4,612,779</b>	<b>7,563,087</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from (to) Other Funds	(174,645)	952,773	(362,497)	(648,254)	(232,623)
Due to SELCO - Electric	-	-	-	(22,110)	(22,110)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(174,645)</b>	<b>952,773</b>	<b>(362,497)</b>	<b>(670,364)</b>	<b>(254,733)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Intergovernmental Revenues	9,781	-	-	-	9,781
WPAT Project Drawdowns	3,579,759	-	-	-	3,579,759
Transfers From Depreciation Fund	-	-	(49,928)	-	(49,928)
Other	-	-	2,115	-	2,115
Acquisition and Construction of Capital Assets	(3,981,667)	-	(1,469,113)	(2,228,218)	(7,678,998)
Principal Payments on Bonds and Notes	(65,606)	-	(310,000)	(345,000)	(720,606)
Interest Expense	(27,495)	-	(25,400)	(16,850)	(69,745)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(485,228)</b>	<b>-</b>	<b>(1,852,326)</b>	<b>(2,590,068)</b>	<b>(4,927,622)</b>
<b>Cash Flows from Investing Activities:</b>					
Investment Income	-	-	47,642	-	47,642
Transfer to/from Rate Stabilization	-	-	1,200,000	-	1,200,000
Payments from (to) Customers for Energy Conservation Loans	-	-	(13,080)	-	(13,080)
Proceeds/(Purchase) of Investments	(765,184)	-	2,624,718	(759,193)	1,100,341
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>(765,184)</b>	<b>-</b>	<b>3,859,280</b>	<b>(759,193)</b>	<b>2,334,903</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>952,911</b>	<b>(9,552)</b>	<b>3,179,122</b>	<b>593,154</b>	<b>4,715,635</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>5,796,557</b>	<b>154,124</b>	<b>3,030,990</b>	<b>1,342,310</b>	<b>10,323,981</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,749,468</b>	<b>\$ 144,572</b>	<b>\$ 6,210,112</b>	<b>\$ 1,935,464</b>	<b>\$ 15,039,616</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2013)	Cable Operations Fund (as of December 31, 2013)	
<b>Operating Income (Loss)</b>	\$ 1,740,679	\$ (962,171)	\$ 1,289,352	\$ 2,078,886	4,146,746
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation	551,320	-	1,590,849	2,705,226	4,847,395
Loss on disposal of assets	-	-	-	43,752	43,752
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable	(53,856)	(3,404)	642,720	15,636	601,096
Increase (Decrease) in Accrued Payroll	5,670	-	-	-	5,670
Increase (Decrease) in Deferred Revenue	-	-	-	(68,000)	(68,000)
Increase (Decrease) in Compensated Absences	(5,686)	-	-	-	(5,686)
Decrease (Increase) in Purchased Power Working Capital	-	-	206,108	-	206,108
Decrease (Increase) in Rate Stabilization	-	-	(1,159,873)	-	(1,159,873)
Increase (Decrease) in OPEB Obligation Payable	17,717	-	30,557	(30,891)	17,383
Decrease (Increase) in Materials and Supplies	-	-	(1,214)	(41,282)	(42,496)
Decrease (Increase) in Prepaid Expenses	-	-	20,085	11,204	31,289
Decrease (Increase) in Other Accounts Receivable	-	-	38,811	38,240	77,051
Decrease (Increase) in Customer Accounts Receivable	122,124	3,250	(1,122,730)	(139,992)	(1,137,348)
<b>Total Adjustments</b>	637,289	(154)	245,313	2,533,893	3,416,341
<b>Net Cash Provided by (Used for) Operating Activities</b>	\$ 2,377,968	\$ (962,325)	\$ 1,534,665	\$ 4,612,779	\$ 7,563,087

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>SHREWSBURY</b>				
	<b>Employees Retirement System Pension Trust Fund (as of December 31, 2013)</b>		<b>Other Post Employment Benefit Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,242,397	\$ -	\$ 80	\$ 1,654,530	
Investments	87,419,099	2,242,797	402,031	31,814	
Accrued Interest and Dividends	3	-	-	-	
Accounts Receivable	40,304	-	-	-	
<b>Total Assets</b>	<b>88,701,803</b>	<b>2,242,797</b>	<b>402,111</b>	<b>1,686,344</b>	
<b>LIABILITIES</b>					
Warrants Payable		-	-	-	-
Due to Others	-	-	-	64,724	
Due to Student Groups	-	-	-	234,421	
Escrows and Deposits	-	-	-	1,387,199	
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,686,344</b>	
<b>NET POSITION:</b>					
Held in Trust for Pension Benefits and Other Purposes	\$ 88,701,803	\$ 2,242,797	\$ 402,111	\$ -	

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>SHREWSBURY</b>		
	<b>Employees</b>		
	<b>Retirement</b>		
	<b>System Pension</b>	<b>Other</b>	<b>Private</b>
	<b>Trust Fund</b>	<b>Post Employment</b>	<b>Purpose</b>
	<b>(as of December</b>	<b>Benefit</b>	<b>Trust Funds</b>
	<b>31, 2013)</b>	<b>Trust Fund</b>	<b>Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employer	\$ 5,272,156	\$ 92,379	\$ -
Plan Members	2,265,661	-	-
Transfers/Reimbursements from Other Systems	256,498	-	-
Federal Grant Reimbursements	40,578	-	-
Commonwealth of Massachusetts - COLA	117,101	-	-
Private Donations	-	-	6,877
<b>Total Contributions</b>	<b>7,951,994</b>	<b>92,379</b>	<b>6,877</b>
Investment Income:			
Interest & Dividends	2,096,495	94,617	9,075
Net Change in Fair Value of Investments	11,582,719	132,680	12,833
<b>Total Investment Earnings</b>	<b>13,679,214</b>	<b>227,297</b>	<b>21,908</b>
Less Investment Expense	(305,006)	-	-
<b>Net Investment Earnings</b>	<b>13,374,208</b>	<b>227,297</b>	<b>21,908</b>
<b>Total Additions</b>	<b>21,326,202</b>	<b>319,676</b>	<b>28,785</b>
<b>Deductions:</b>			
Benefit Payments to Plan Members and Beneficiaries	6,360,364	-	-
Refunds to Members	107,760	-	-
Transfers to Other Systems	633,299	-	-
Educational Scholarships	-	-	16,233
General Expenses	85,299	-	-
<b>Total Deductions</b>	<b>7,186,722</b>	<b>-</b>	<b>16,233</b>
<b>Change in Net Position</b>	<b>14,139,480</b>	<b>319,676</b>	<b>12,552</b>
<b>Net Position at Beginning of Year</b>	<b>74,562,323</b>	<b>1,923,121</b>	<b>389,559</b>
<b>Net Position at End of Year</b>	<b>\$ 88,701,803</b>	<b>\$ 2,242,797</b>	<b>\$ 402,111</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

**Government-wide financial statements**

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

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

**Fund financial statements**

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

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

**Major Fund Criteria**

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

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

*and*

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

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

Proprietary and fiduciary funds are reported by fund type.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

**Government-wide financial statements**

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

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

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

**Fund financial statements**

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

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

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

The Town reports the following major governmental funds:

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

The 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

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

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

#### **D. Cash and Cash Equivalents**

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

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

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

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

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

**F. Receivables**

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

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

Property taxes are based on assessments as of January 1, 2013 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2014 on June 28, 2013 and September 30, 2013, that were due on August 1, 2013 and November 1, 2013 and actual bills on December 30, 2013, and March 28, 2014, that were due on February 3, 2014 and May 1, 2014, respectively.

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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The legal levy limit under Proposition 2 1/2 for fiscal year 2014 is as follows;

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2014	\$ 53,146,077
Add: Debt Exclusion	<u>4,893,540</u>
	<u><u>\$ 58,039,617</u></u>

The total amount raised by taxation was \$58,037,814.

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

**Excise Taxes**

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

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

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

**User Charges**

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

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

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

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

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

**Special Assessments**

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**Year Ended June 30, 2014**

**Loans**

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

**Due from Other Governments**

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

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

**G. Materials and Supplies**

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

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

**H. Purchased Power Working Capital**

Prepayments include Purchased Power Working Capital which is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), the Electric Department's power supply agent. MMWEC requires that they hold a set amount of capital from which they may pay the power obligations when they are due. The fund is replenished as needed through invoices paid monthly to MMWEC.

**I. Prepaid Expenses**

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

**J. Capital Assets**

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

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

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

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

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

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

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

Property, plant and equipment for the cablevision enterprise fund are 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, 2013 was \$6,402,075. The decrease was due to a transfer of \$1,200,000 out of the fund to reduce purchased power costs and an increase for interest earned on SELCO-Electric’s invested balance. The balance is offset by a corresponding deferred inflow

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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of resources 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, 2013 was \$20,821.

**L. Interfund Transfers**

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

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

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

**M. Deferred Outflows and Inflows of Resources**

**Government-wide financial statements**

The government-wide financial statements statement of net position includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred loss on refunding* reported on the government-wide statement of net position. A deferred loss is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items, *rate stabilization reserve* and *deferred gain on refunding*, which qualify in this category. The rate stabilization reserve is the offset of the restricted cash described above. Additionally, the deferred gain is the difference between the carrying value of refunded debt and its reacquisition price. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund financial statements**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**Year Ended June 30, 2014**

**N. Net Position and Fund Balances**

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

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

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

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

**O. Long-term Debt**

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

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

**P. Compensated Absences**

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

**Q. 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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- Not less than ninety days prior to the date of the start of the annual Town meeting, the town manager shall submit to each member of the finance committee and of the board of selectmen, a copy of the annual budget.
- The finance committee shall consider the annual budget prepared by the Town manager and may confer with Town boards, officers, and committees and may hold hearings if they deem it advisable.
- The finance committee shall thereupon approve or disapprove the amount. The committee shall furnish to the selectmen on or before April 1st of each year a report with the recommendations and the same shall be printed and ready for distribution at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

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 2014, the Town incurred a final budget deficit of \$10,577,589 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 4,478,110
Prior year's encumbrances	6,099,479
	<u>\$ 10,577,589</u>

**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, 2014 were \$34,770,355. Of these deposits, \$22,289,197 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, 2013 were \$1,242,397. Of these deposits, none were exposed to custodial credit risk as uninsured and uncollateralized.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**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, 2014, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities:</b>					
U. S. treasury obligations	\$ 5,667,502	\$ -	\$ 5,667,502	\$ -	\$ -
U. S. government agencies	17,607,541	-	15,161,748	2,445,793	-
Corporate bonds	7,298,894	1,427,216	5,871,678	-	-
Bond mutual funds	796,326	796,326	-	-	-
Municipal bonds	823,403	181,966	157,816	-	483,621
Money market mutual fund	1,707,426	1,707,426	-	-	-
	<u>33,901,092</u>	<u>\$ 4,112,934</u>	<u>\$ 26,858,744</u>	<u>\$ 2,445,793</u>	<u>\$ 483,621</u>
<b>Other Investments:</b>					
Certificates of deposits	3,247,046				
Equity mutual funds	6,582,465				
Equity securities - domestic	910,915				
MMDT	884,427				
	<u>\$ 45,525,945</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 \$45,525,945 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2014 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b>U. S. Treasury Obligations:</b>	
Aaa	\$ 5,667,502
<b>U. S. Government Agencies:</b>	
Aaa	17,607,541
<b>Corporate Bonds:</b>	
A1	1,997,079
A3	1,906,444
Baa1	2,886,871
Baa2	508,500
<b>Bond Mutual Funds:</b>	
Not rated	796,326
<b>Municipal Bonds:</b>	
Aaa	483,621
Aa2	339,782
<b>Money Market Mutual Funds:</b>	
Not rated	1,707,426
	\$ 33,901,092

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal National Mortgage Association, U.S. Treasury and Hewlett Packard Company amounting to 19.85%, 11.02%, 7.67%, 12.58% and 6.34%, 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 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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**Year Ended June 30, 2014**

an investment that has been downgraded below Baa/BBB, they will be required to report at least monthly the status of said bond and reasons for holding said bond.

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

Miscellaneous provisions:

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

As of December 31, 2013, the System's only investment was in the Pension Reserve Investment Trust (PRIT).

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$87,419,099 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

**Interest Rate Risk**

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

**Credit Risk**

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

The System's had no exposure to credit risk as of December 31, 2013.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
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**Concentration of Credit Risk**

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

**B. Receivables**

At June 30, 2014, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and non-major governmental funds:</b>			
Property taxes	\$ 616,098	\$ (22,039)	\$ 594,059
Tax liens	786,525	(95,205)	691,320
Excise taxes	739,776	(380,000)	359,776
User Charges	459,911	(1,000)	458,911
Special assessments	195,488	-	195,488
Due from other governments	22,774,917	-	22,774,917
	<u>\$ 25,572,715</u>	<u>\$ (498,244)</u>	<u>\$ 25,074,471</u>

At June 30, 2014 and (December 31, 2013 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer activities:</b>			
User charges	\$ 930,503	\$ (2,000)	\$ 928,503
Special assessments	772,047	-	772,047
Due from other governments	61,094	-	61,094
	<u>1,763,644</u>	<u>(2,000)</u>	<u>1,761,644</u>
<b>Solid waste activities:</b>			
User charges	47,600	-	47,600
<b>Electric light activities:</b>			
Accounts receivable - customers	2,606,700	(156,000)	2,450,700
Loan receivable	32,857	-	32,857
Other	474,382	-	474,382
	<u>3,113,939</u>	<u>(156,000)</u>	<u>2,957,939</u>
<b>Cablevision activities:</b>			
Accounts receivable - customers	1,424,056	(157,000)	1,267,056
Other	18,924	-	18,924
	<u>1,442,980</u>	<u>(157,000)</u>	<u>1,285,980</u>
	<u>\$ 6,368,163</u>	<u>\$ (315,000)</u>	<u>\$ 6,053,163</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

The composition of other receivables in the sewer fund as of June 30, 2014 is the current portion of sewer assessments.

The composition of other receivables in the electric light enterprise fund as of December 31, 2013 is as follows:

Due from Town departments	\$	156,462
Due from MMWEC		207,053
SELCO - Cable		70,840
Other		27,471
Merchandise & jobbing receivable		12,556
		474,382
	\$	474,382

The composition of other receivables in the cablevision enterprise fund as of December 31, 2013 is as follows:

Advertising receivables	\$	14,819
Other		4,105
		18,924
	\$	18,924

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

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

The composition of amounts due from other governments as of June 30, 2014 for governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

**Commonwealth of Massachusetts:**

Department of Veterans Services:

Veterans benefits \$ 101,258

Massachusetts School Building Authority

School Building Assistance - Capital portion 20,887,553 \$ 20,988,811

**Nonmajor Governmental Funds:**

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

School title grants 93,397

**Commonwealth of Massachusetts:**

Department of Elementary and Secondary Education:

School title grants 8,000

Department of Fire Services 2,904

Emergency Management Agency 1,491

Executive Office of Public Safety & Homeland Security:

Public safety grants 44,213

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 1,636,101 1,786,106

\$ 22,774,917

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

The composition of amounts due from other governments as of June 30, 2014 for the business-type funds is as follows:

**Business-Type Funds:**

**Sewer Fund:**

**Commonwealth of Massachusetts:**

**Massachusetts Water Pollution Abatement Trust:**

Sewer project	\$	<u>61,094</u>
---------------	----	---------------

**C. Deferred Inflows of Resources – Unavailable Revenue**

The government-wide financial statements statement of net position includes a separate section, listed below total assets, for *deferred outflows of resources*. The only item in this category is the governmental type *deferred loss on refunding*. A deferred loss is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. The current balance is \$278,461 and is amortized until fiscal year 2025.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. The Town has two types of items which qualify in this category.

Governmental type funds *deferred inflows of resources* is a deferred gain on refunding. A deferred gain is the difference between the carrying value of refunded debt and its reacquisition price. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The current balance is \$714,559 and is amortized until fiscal year 2022.

Business-type funds *deferred inflows of resources* is a rate stabilization reserve. The rate stabilization reserve is the offset of the restricted cash which was created as an aftermath of deregulation. The Municipal Light Departments of Massachusetts Reserve Trust was created and established in anticipation of the restructuring of the electric industry in Massachusetts, and in recognition of the fact that as such restructuring occurs. The current balance is \$6,402,075.

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

**Governmental Funds:**

**General fund:**

Property taxes	\$	303,509	
Tax liens		691,320	
Excise and other taxes		359,776	
User charges		458,911	
Special assessments		222,830	
Due from other governments		<u>20,887,553</u>	\$ 22,923,899

**Nonmajor governmental funds:**

Special assessments		72,166	
Due from other governments		<u>1,620,360</u>	<u>1,692,526</u>
			<u>\$ 24,616,425</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2014, follows;

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 15,385,277	\$ 30,850	\$ -	\$ 15,416,127
Construction in Progress	39,533,105	3,453,000	(1,410,653)	41,575,452
Total capital assets not being depreciated	54,918,382	3,483,850	(1,410,653)	56,991,579
Capital assets being depreciated:				
Buildings and Renovations	123,277,877	-	-	123,277,877
Machinery, equipment and other	6,861,373	267,460	(87,384)	7,041,449
Infrastructure	33,383,392	2,601,949	-	35,985,341
Total capital assets being depreciated	163,522,642	2,869,409	(87,384)	166,304,667
Less accumulated depreciation for:				
Buildings and Renovations	49,844,269	4,202,204	-	54,046,473
Machinery, equipment and other	5,440,222	422,869	(87,384)	5,775,707
Infrastructure	10,014,223	1,164,866	-	11,179,089
Total accumulated depreciation	65,298,714	5,789,939	(87,384)	71,001,269
Total capital assets being depreciated, net	98,223,928	(2,920,530)	-	95,303,398
Total governmental activities capital assets, net	\$ 153,142,310	\$ 563,320	\$ (1,410,653)	\$ 152,294,977

**Business-type Activities**

<b>Sewer Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Construction in Progress	\$ 91,865	\$ 3,981,667	\$ (439,370)	\$ 3,634,162
Total capital assets not being depreciated	91,865	3,981,667	(439,370)	3,634,162
Capital assets being depreciated:				
Machinery, equipment and other	455,136	-	-	455,136
Infrastructure	19,115,333	439,370	-	19,554,703
Total capital assets being depreciated	19,570,469	439,370	-	20,009,839
Less accumulated depreciation for:				
Machinery, equipment and other	335,179	34,478	-	369,657
Infrastructure	7,980,937	516,842	-	8,497,779
Total accumulated depreciation	8,316,116	551,320	-	8,867,436
Total capital assets being depreciated, net	11,254,353	(111,950)	-	11,142,403
Total governmental activities capital assets, net	\$ 11,346,218	\$ 3,869,717	\$ (439,370)	\$ 14,776,565

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**Electric light activities**  
**(As of December 31, 2013)**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land and land rights	\$ 139,292	\$ -	\$ -	\$ 139,292
Construction in Progress	138,935	79,726	(15,964)	202,697
Total capital assets not being depreciated	<u>278,227</u>	<u>79,726</u>	<u>(15,964)</u>	<u>341,989</u>
Capital assets being depreciated:				
Electric utility plant	53,028,307	1,405,351	(403,479)	54,030,179
Less accumulated depreciation for:				
Electric utility plant	31,309,426	1,590,849	(403,479)	32,496,796
Total capital assets being depreciated, net	<u>21,718,881</u>	<u>(185,498)</u>	<u>-</u>	<u>21,533,383</u>
Total governmental activities capital assets, net	<u>\$ 21,997,108</u>	<u>\$ (105,772)</u>	<u>\$ (15,964)</u>	<u>\$ 21,875,372</u>

**Cablevision activities**  
**(As of December 31, 2013)**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Construction in Progress	\$ 122,089	\$ 3,130	\$ (122,089)	\$ 3,130
Total capital assets not being depreciated	<u>122,089</u>	<u>3,130</u>	<u>(122,089)</u>	<u>3,130</u>
Capital assets being depreciated:				
Plant investment	41,508,325	2,303,425	(1,649,243)	42,162,507
Less accumulated depreciation for:				
Plant investment	26,764,081	2,705,226	(1,605,491)	27,863,816
Total capital assets being depreciated, net	<u>14,744,244</u>	<u>(401,801)</u>	<u>(43,752)</u>	<u>14,298,691</u>
Total governmental activities capital assets, net	<u>\$ 14,866,333</u>	<u>\$ (398,671)</u>	<u>\$ (165,841)</u>	<u>\$ 14,301,821</u>

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

**Governmental Activities:**

General government	\$ 47,459
Public safety	475,681
Public works	1,248,382
Education	3,748,601
Health and human services	77,667
Culture and recreation	192,149
Total depreciation expense - governmental activities	<u>\$ 5,789,939</u>

**Business-Type Activities:**

Sewer enterprise fund	\$ 551,320
Electric light enterprise fund	1,590,849
Cablevision enterprise fund	2,705,226
Total depreciation expense - business-type activities	<u>\$ 4,847,395</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

Interfund transfers for the fiscal year ended June 30, 2014, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 27,068	\$ 1,191,705	\$ 1,218,773
Nonmajor governmental funds	742,251	-	-	742,251
Business-type fund	1,445,507	-	-	1,445,507
<b>Total transfers out</b>	<b>\$ 2,187,758</b>	<b>\$ 27,068</b>	<b>\$ 1,191,705</b>	<b>\$ 3,406,531</b>

The remaining (\$21,179) amount shown on the Statement of Activities represents a transfer that took place when the year end conversion occurred from a fiscal year June 30th end to a calendar year December 31st year end for the enterprise funds.

**F. Short-Term Financing**

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

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

**Governmental Activities**

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2013	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2014
<b><i>Bond Anticipation Notes:</i></b>						
Sherwood Middle School	1.00%	7/12/2013	\$ 1,600,000	\$ -	\$ 1,600,000	\$ -
Spring Street School	1.00%	7/12/2013	725,000	-	725,000	-
Sherwood Middle School	1.00%	1/24/2014	-	1,600,000	1,600,000	-
Spring Street School	1.00%	1/24/2014	-	725,000	725,000	-
<b>Total Governmental Activities</b>			<b>\$ 2,325,000</b>	<b>\$ 2,325,000</b>	<b>\$ 4,650,000</b>	<b>\$ -</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2013	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2014
<b>Bond anticipation notes:</b>						
<b>Sewer Fund</b>						
<i>Massachusetts Water Pollution Abatement Trust - Interim Loan</i>						
Sewer interceptor improvements	0.13%	12/31/2014	\$ -	\$ 3,579,759	\$ -	\$ 3,579,759

**G. Long Term Debt**

**General Obligation Bonds**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

	Interest	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2014
<b>Inside Debt:</b>					
Land Acquisition - Conservation	4.74%	6/1/1999	6/1/2019	\$ 1,473,500	\$ 640,000
Land Acquisition - High School	4.75%	6/1/1999	6/1/2019	2,400,000	580,000
High School Construction - Refunded	2.64%	4/15/2010	8/15/2021	29,606,000	23,465,000
Land Acquisition - Conservation - Refunded	2.37%	4/15/2010	8/15/2019	855,000	635,000
School Renovations - Middle School West	4.05%	11/15/2004	11/15/2024	740,000	370,000
School Addition - Parker Road Preschool	3.72%	11/15/2004	11/15/2014	170,000	85,000
Elementary School Construction - refunded	4.55%	2/1/2005	2/1/2016	514,850	95,650
Elementary School Construction - refunded	4.55%	2/1/2005	2/1/2016	4,520,750	814,350
Fire Facilities Renovations	3.44%	2/15/2008	2/15/2026	6,800,000	4,520,000
Land Acquisition - Credit Union	2.38%	7/14/2011	7/1/2021	680,000	540,000
Land Acquisition - Allen Farm	2.85%	11/15/2012	11/15/2032	6,100,000	5,795,000
School Additions/Renovations:					
Middle School West Refunded	1.44%	4/12/2013	11/15/2024	3,985,000	3,925,000
Parker Road Preschool Refunded	1.44%	4/12/2013	11/15/2024	435,000	425,000
Spring Street School	1.80%	1/23/2014	1/15/2024	635,000	635,000
Total Inside Debt					<u>42,525,000</u>
<b>Outside Debt:</b>					
<i>Massachusetts Water Pollution</i>					
<i>Abatement Trust:</i>					
Septic - Title V	N/A	10/25/2000	8/1/2018	86,947	24,146
Septic - Title V	N/A	2/1/2004	8/1/2022	105,896	50,127
Septic - Title V	N/A	11/16/2005	7/15/2025	94,573	56,741
Water Tank	2.96%	2/15/2008	2/15/2018	1,250,000	500,000
Middle School Construction	3.59%	7/14/2011	7/1/2031	20,000,000	18,000,000
Water Improvements	1.56%	11/15/2012	11/15/2022	681,000	610,000
Total Outside Debt					<u>19,241,014</u>
Total governmental type debt					<u>\$ 61,766,014</u>

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

Year	Principal	Interest	Total
2015	\$ 6,405,099	\$ 2,326,699	\$ 8,731,798
2016	6,335,099	2,102,907	8,438,006
2017	5,845,099	1,866,646	7,711,745
2018	5,820,099	1,631,937	7,452,036
2019	5,560,100	1,398,918	6,959,018
2020-2024	19,966,062	3,889,911	23,855,973
2025-2029	7,614,456	1,495,203	9,109,659
2030-2034	4,220,000	273,760	4,493,760
	<u>\$ 61,766,014</u>	<u>\$ 14,985,981</u>	<u>\$ 76,751,995</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

	Interest	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2014
<b>Sewer activities:</b>					
<b>Inside Debt:</b>					
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Assebet River consortium	N/A	7/15/2001	2/1/2021	\$ 490,127	\$ 138,391
Assebet River consortium	N/A	7/23/2005	7/15/2020	168,653	75,649
Sewer Interceptor Improvements	2.00%	5/22/2013	1/15/2033	956,875	918,168
					<u>1,132,208</u>
<b>Electric light activities:</b>					
<b>(as of December 31, 2013)</b>					
<b>Outside Debt:</b>					
Installation of transformers	2.03%	4/15/2010	8/15/2017	649,000	<u>425,000</u>
<b>Cablevision activities:</b>					
<b>(as of December 31, 2013)</b>					
<b>Outside Debt:</b>					
CATV Plant (Refunded)	1.62%	9/3/2009	6/1/2014	1,769,500	<u>335,000</u>
Total Business-Type Funds					<u>\$ 1,892,208</u>

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

Year	Principal	Interest	Total
2015	\$ 69,665	\$ 25,351	\$ 95,016
2016	70,524	23,454	93,978
2017	71,403	21,552	92,955
2018	72,300	19,514	91,814
2019	73,218	17,347	90,565
2020-2024	293,415	63,813	357,228
2025-2029	256,062	38,146	294,208
2030-2034	225,621	11,402	237,023
	<u>\$ 1,132,208</u>	<u>\$ 220,579</u>	<u>\$ 1,352,787</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

Debt service requirements for principal and interest for the electric light enterprise funds of December 31, 2013 are as follows:

Year	Principal	Interest	Total
2014	\$ 110,000	\$ 17,450	\$ 127,450
2015	105,000	13,125	118,125
2016	105,000	8,531	113,531
2017	105,000	3,282	108,282
	<u>\$ 425,000</u>	<u>\$ 42,388</u>	<u>\$ 467,388</u>

Debt service requirements for principal and interest for the cablevision enterprise fund as of December 31, 2013 are as follows:

Year	Principal	Interest	Total
2014	\$ 335,000	\$ 6,700	\$ 341,700

During the fiscal year ended June 30, 2014 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2013), the following changes occurred in long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 67,366,000	\$ 635,000	\$ 6,365,999	\$ 61,635,001	\$ 6,390,000
Massachusetts Water Pollution Abatement Trust bonds	146,114	-	15,101	131,013	15,099
<b>Compensated absences</b>	1,233,650	33,284	58,524	1,208,410	382,103
<b>OPEB liability obligation</b>	25,057,246	4,121,063	-	29,178,309	-
<b>Deferred Outflows:</b> less					
loss on advance refunding	(299,230)	-	(20,769)	(278,461)	(20,769)
<b>Deferred Inflows:</b> Add					
gain on advance refunding	804,447	-	89,888	714,559	89,888
Governmental activity Long-term liabilities	<u>\$ 94,308,227</u>	<u>\$ 4,789,347</u>	<u>\$ 6,508,743</u>	<u>\$ 92,588,831</u>	<u>\$ 6,856,321</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Business type activities:</b>					
<b>Sewer activities</b>					
<i>Bond Payable:</i>					
Massachusetts Water Pollution Abatement Trust	\$ 1,197,814	\$ -	\$ 65,606	\$ 1,132,208	\$ 69,665
<i>Compensated absences</i>	18,872	-	5,686	13,186	3,296
<i>OPEB obligation payable</i>	100,002	17,717	-	117,719	-
Total sewer activities					
Long-term liabilities	1,316,688	17,717	71,292	1,263,113	72,961
<b>Electric light activities: (as of December 31, 2013)</b>					
<i>Bond Payable:</i>					
General obligation bonds	735,000	-	310,000	425,000	110,000
Total electric light activities					
Long-term liabilities	735,000	-	310,000	425,000	110,000
<b>Cablevision activities: (as of December 31, 2013)</b>					
<i>Bond Payable:</i>					
General obligation bonds	680,000	-	345,000	335,000	335,000
<i>OPEB obligation payable</i>	432,933	-	30,891	402,042	-
Total cablevision activities					
long-term liabilities	1,112,933	-	375,891	737,042	335,000
Business-type activity					
Long-term liabilities	\$ 3,164,621	\$ 17,717	\$ 757,183	\$ 2,425,155	\$ 517,961

**Advance Refunding – April 12, 2014**

On April 12, 2014, the Town issued \$4,420,000 of general obligation refunding bonds with an average interest rate of 1.44 percent to advance refund \$4,100,000 of outstanding bonds with an average interest rate of 3.85 percent. The net amount of \$4,346,108 was paid to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt account group. This advance refunding was undertaken to advance refund \$3,700,000 of the middle school west renovation and \$400,000 of the parker road preschool addition governmental activity debt. The advance refunding resulted in an economic loss of \$320,000.

To provide for the payment of the refunded debt, the Town deposited \$4,346,108 into an irrevocable fund designated the "Town of Shrewsbury MA 2014 Refunding Escrow." The balance of the 2014 refunding escrow account is \$4,182,288 on June 30, 2014.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**Massachusetts Water Pollution Abatement Trust (MWPAT)**

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,713,253 and interest costs of \$495,601 for six loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2014 for principal and interest combined for the loans is \$1,498,180. The net repayments, including interest, are scheduled to be \$1,426,785. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2014 principal and interest subsidies totaled \$13,797.

**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, 2014 totaled \$43,657,208.

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, 2014:

Equalized Valuation-Real Estate and Personal Property (2014)		<u>\$ 4,974,698,800</u>
Debt Limit: 5 % of Equalized value		248,734,940
Total Debt Outstanding	\$ 69,323,222	
Less: Debt Outside Debt Limit	<u>(25,666,014)</u>	<u>43,657,208</u>
 Inside Debt Excess Borrowing Capacity at June 30, 2014		 <u>\$ 205,077,732</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.

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Loan authorizations that have not been issued as permanent long term debt of June 30, 2014 and are not reflected in the Town's financial statements are as follows:

<b>Date of Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
2/9/2010	Construct new Sherwood Middle School with assistance from Massachusetts Building Authority	\$ 25,700,000
5/17/2010	Upgrade existing sewer trunk line from Grafton Street to former sewer treatment facility Shrewsbury and Northborough line	643,125
5/18/2011	Construction and improvements of sewer trunk line from Grafton Street	3,500,000
5/18/2011	Roof and window replacements and all other related costs at the Spring Elementary School	585,000
5/24/2012	Construction, reconstruction and other improvements of sewer trunk line from Grafton Street to former sewer treatment facility	1,000,000
10/21/2013	Public Library construction and renovations	23,300,000
		<u>\$ 54,728,125</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**H. Fund Balances**

The following is a summary of the Governmental Fund fund balances at the year ended June 30, 2014:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted:</b>			
Federal, state and local grants	\$ -	\$ 2,505,234	\$ 2,505,234
School revolving funds	-	2,330,181	2,330,181
Town revolving funds	-	137,302	137,302
Donations and gifts	-	574,287	574,287
Parks and recreation	-	238,836	238,836
Insurance	-	471,206	471,206
Debt service	1,076,989	25,220	1,102,209
Filing fees	-	174,806	174,806
Sale of cemetery lots	-	47,370	47,370
Default accounts	-	80,004	80,004
Inflow/infiltration	-	1,541,808	1,541,808
Water conservation	-	279,023	279,023
Capital projects	-	510,284	510,284
Permanent funds	-	2,024,344	2,024,344
Other	-	962,789	962,789
	<u>1,076,989</u>	<u>11,902,694</u>	<u>12,979,683</u>
<b>Committed:</b>			
Capital projects	-	2,174,959	2,174,959
Workers' compensation	-	42,048	42,048
	-	<u>2,217,007</u>	<u>2,217,007</u>
<b>Assigned:</b>			
General government	724,661	-	724,661
Public safety	6,137	-	6,137
Public works (including water)	3,814,947	-	3,814,947
Education	173,934	-	173,934
Health and human services	8,106	-	8,106
Culture and recreation	161,628	-	161,628
Employee benefits	17,059	-	17,059
Subsequent year's budget	2,857,500	-	2,857,500
	<u>7,763,972</u>	-	<u>7,763,972</u>
<b>Unassigned:</b>			
General Fund	<u>7,178,257</u>	-	<u>7,178,257</u>
<b>Total Governmental fund balances</b>	<u>\$ 16,019,218</u>	<u>\$ 14,119,701</u>	<u>\$ 30,138,919</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**I. Special Trust Funds**

**Stabilization Fund**

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

At June 30, 2014 the balance in the stabilization fund is \$370,663 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

**Federal Financial Assistance**

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

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

**Electric Light Enterprise Fund – Power Sales Agreement**

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

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

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

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

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

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

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

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

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

Total capital expenditures for MMWEC's Projects amounted to \$1,607,269,000, of which \$76,558,000 represents the amount 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. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$225,280,000, of which \$11,411,000 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, 2013, MMWEC's total future debt

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service requirement on outstanding bonds issued for the Projects is \$218,518,000, of which \$11,102,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Shrewsbury Electric and Cable Operation's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2013, and estimated for future years is shown below.

<b>For years ended December 31, 2014</b>	<b>\$</b>	3,333,000
<b>2015</b>		3,152,000
<b>2016</b>		2,795,000
<b>2017</b>		1,329,000
<b>2018</b>		304,000
<b>2019</b>		189,000
	<b>\$</b>	<u><u>11,102,000</u></u>

In addition under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSA's were \$8,205,000 and \$8,106,000 for the years ended December 31, 2013 and 2012, respectively.

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

Under the terms of the Service Agreement, the Department is committed to purchase additional power through MMWEC in the amount of \$6,627,854 in 2014, \$3,074,760 in 2015, \$1,984,306 in 2016 and \$851,472 in 2017.

Berkshire Wind Cooperative Corporation: SELCO-Electric (Department) is a member of the Berkshire Wind Cooperative Corporation.

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

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

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its pro rata share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

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

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

As of December 31, 2013, total capital expenditures for the Berkshire Wind Facility amounted to \$58,990,077, of which \$7,502,000; represents the amount associated with the Department's share of the Capability of the Berkshire Wind Facility of which it is a member, although such amount is not allocated to the Department. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$60,210,000, of which \$7,658,000 is associated with the Department's share of Capability of the Berkshire Wind Facility, although such amount is not allocated to the Department. As of December 31, 2013, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$91,789,000 of which \$11,674,000 is anticipated to be billed to the Department in the future.

The estimated agreement amount of the Department's required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2013 and estimated for future years is shown below:

<b>For years ended December 31, 2014</b>	<b>\$</b>	687,000
<b>2015</b>		687,000
<b>2016</b>		687,000
<b>2017</b>		687,000
<b>2018</b>		687,000
<b>2019-2023</b>		3,433,000
<b>2014-2028</b>		3,433,000
<b>2029-2030</b>		1,373,000
	<b>\$</b>	<u><u>11,674,000</u></u>

**Cablevision Enterprise Fund – Commitments and Contingencies**

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2019.

The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2013:

<b>For years ended December 31, 2014</b>	<b>\$</b>	6,321,927
<b>2015</b>		3,328,157
<b>2016</b>		2,180,980
<b>2017</b>		383,634
<b>2018-2019</b>		716,775
	<b>\$</b>	<u><u>12,931,473</u></u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**Year Ended June 30, 2014**

Signal purchase expense under these contracts was \$6,666,019 and \$6,405,227 in 2013 and 2012, respectively.

**C. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

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

**Plan Description**

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

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2014 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$2,177,778 consisting of \$2,171,480 for the governmental activities and \$6,298 for the sewer business-type activities. For the calendar year 2013, the electric light fund and cablevision fund premiums plus implicit costs for the retiree medical program are \$152,390 and \$136,914, 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:

	<u>Business-type Activities</u>			<b>Total</b>
	<b>Governmental Activities</b>	<b>Sewer Fund</b>	<b>Cable Operations Fund (As of December 31, 2013)</b>	
Annual required contribution	\$ 6,125,495	\$ 23,348	\$ 106,023	\$ 6,254,866
Interest on net OPEB obligation	1,002,290	4,000	-	1,006,290
Adjustment to annual required contribution	(835,242)	(3,333)	-	(838,575)
Annual OPEB cost (expense)	6,292,543	24,015	106,023	6,422,581
Contributions made during the fiscal year	2,171,480	6,298	136,914	2,314,692
Increase in net OPEB obligation	4,121,063	17,717	(30,891)	4,107,889
Net OPEB Obligation - beginning of year	25,057,246	100,002	432,933	25,590,181
Net OPEB Obligation - end of year	<u>\$ 29,178,309</u>	<u>\$ 117,719</u>	<u>\$ 402,042</u>	<u>\$ 29,698,070</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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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 2014 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 6,316,558	34.48%	\$ 29,296,028
6/30/2013	\$ 6,712,921	26.65%	\$ 25,157,248
6/30/2012	\$ 6,403,223	33.80%	\$ 20,233,145

The cable television fund's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 calendar year and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 106,023	129.14%	\$ 402,042
12/31/2012	\$ 104,672	144.05%	\$ 432,933
12/31/2011	\$ 190,231	4.97%	\$ 479,045

**Funded Status and Funding Process**

As of June 30, 2014, the most recent valuation date, the actuarial liability for benefits was \$68,980,941 and the actuarial value of assets was \$418,528, resulting in a total unfunded actuarial accrued liability (UAAL) of \$68,562,413. The covered payroll (annual payroll of active employees covered by the plan) was \$52,875,483, and the ratio of the UAAL to the covered payroll was 129.7%.

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.

Amounts determined regarding the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
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**Year Ended June 30, 2014**

effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The actuarial assumptions include a funded interest rate of 8.0% per year, net of investment expense and an unfunded interest rate of 4.0% per year, net of investment expenses and medical care inflation trend of 6.0% in 2014 decreasing .5% for the next three years to an ultimate 4.5% in 2017.

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

**Trust Fund**

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2014 the trust balance is \$2,242,797.

**D. Pension Plan**

**Plan Description**

The Town, as a member of the Shrewsbury Contributory Retirement System participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Shrewsbury Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$8,886,947 for the fiscal year ending June 30, 2014, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

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

**Funding Policy**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

The Town's contribution to the System for the fiscal years ended June 30, 2014, 2013 and 2012 is shown below, which equaled its required contribution for each fiscal year.

<b>Year Ended June 30</b>	<b>Contribution</b>
2014	\$ 4,270,034
2013	\$ 3,321,963
2012	\$ 3,204,390

The last actuarial valuation was prepared by Sherman Actuarial Services, LLC as of January 1, 2014. 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 8.0% compounded annually and (b) projected salary, including longevity, increases of 3.5% for 2014 and the years after.

The unfunded actuarial liability for the system is \$32,005,745.

**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.

**E. Subsequent Event**

In January of 2014, the Electric Light Department received \$6 million in bond proceeds to finance the construction of a new sub-station. Principal payments will be due annually in \$300,000 increments on January 15<sup>th</sup> for 20 years. Interest is payable semi-annually on January 15<sup>th</sup> and July 15<sup>th</sup> commencing July 15, 2014.

**F. Implementation Of New GASB Pronouncements**

During fiscal year 2014, the GASB implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement introduced the concept of deferred outflows and deferred inflows to the financial statements. As such, certain items that were previously reported as assets and liabilities were reclassified to deferred outflows and deferred inflows.

**G. Future GASB Pronouncements**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as an asset/(liability) and revenue/(expense), the Town's portion of the Shrewsbury Contributory Retirement System actuarial accrued liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post-Employment Benefit Plan**  
**Year Ended June 30, 2014**

**Schedule of Funding Progress**

**Other Post Employment Benefits - Town**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)
6/30/2014	\$ 418,528	\$ 68,980,941	\$ 68,562,413	0.61%	\$ 52,875,483
6/30/2012	\$ 187,844	\$ 68,074,406	\$ 67,886,562	0.28%	\$ 54,804,649
6/30/2010	\$ -	\$ 89,913,036	\$ 89,913,036	0.00%	\$ 58,901,418

**Schedule of Contribution Funding**

**Other Post Employment Benefits**

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2014	\$ 6,316,558	\$ 2,177,778	34.48%
2013	\$ 6,990,713	\$ 2,408,134	34.45%
2012	\$ 6,789,703	\$ 2,273,363	33.48%

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

**Actuarial Methods:**

Valuation date	June 30, 2014
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	30-year amortization payments
Remaining amortization period	25 years remaining as of June 30, 2014

**Actuarial Assumptions:**

Investment rate of return	Funded 8.0% per year, net of investment expenses Unfunded 4.0% per year, net of investment expenses
Medical/drug cost trend rate	6.0% in the current year trending down .5% per year to an ultimate rate of 4.5% per year

**Plan Membership:**

Current active members	1,047
Current retirees, beneficiaries and dependents	506
Total	1,553

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Shrewsbury Contributory Retirement System**  
**For the Year Ended June 30, 2014**

Schedule of Funding Progress

<b>Pension System</b>							
<b>Shrewsbury Contributory Retirement System</b>							
<b>(Dollar Amounts in Thousands)</b>							
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)	
1/1/2014	\$ 82,514	\$ 114,520	\$ 32,006	72.1%	\$ 23,896	133.9%	
1/1/2012	\$ 71,864	\$ 105,086	\$ 33,222	68.4%	\$ 22,672	146.5%	
1/1/2010	\$ 64,467	\$ 91,059	\$ 26,592	70.8%	\$ 22,460	118.4%	

Schedule of Funding Progress

<b>Pension System</b>			
<b>Shrewsbury Contributory Retirement System</b>		<b>Town</b>	
Fiscal Year Ended	Required Contributions (A)	Actual Contributions (B)	Percentage of System-Wide Actual Contributions (B/A)
6/30/2014	\$ 5,270,842	\$ 4,270,034	81.01%
6/30/2013	\$ 3,987,702	\$ 3,321,963	83.31%
6/30/2012	\$ 3,845,639	\$ 3,204,390	83.33%

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

**Actuarial Methods:**

Valuation date	January 1, 2014
Actuarial cost method	Individual Entry-Age Normal Cost Method
Asset valuation method	The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8%) and accounting for deposits and disbursements with interest at the assumed rate of return.
	This preliminary actuarial value is not allowed to differ from the market value of assets by more than 10%.

**Actuarial Assumptions:**

Investment rate of return	8.0%
Cost of living adjustments	3.5% of the lesser of pension amount and \$12,000 per year

**Plan Membership:**

Active Members	572
Inactive Members	121
Retired Members, Beneficiaries and Survivors	249
Total	942

## **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, 2014**

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances
	July 1, 2013								June 30, 2014
<b>Special Revenue:</b>									
<b>Federal and State Grants:</b>									
School Grants	\$ 97,825	\$	2,150,554	\$	2,071,617	\$	-	\$	176,762
Arts Lottery Council Grant	5,868		7,128		5,003				7,993
Elderly Programs	16,177		52,704		68,881				-
Highway Grants	-		959,336		959,336				-
Lakes and Ponds Grants	9,716		-		330				9,386
Library Grants	200,649		36,736		52,621				184,764
Other Grants and Programs	67,222		-		2,174				65,048
Public Safety Grants	21,803		99,141		122,098				(1,154)
<b>Schools:</b>									
School Lunch Program	70,435		1,553,118		1,603,434				20,119
School Lunch Commodities	-		114,328		114,328				-
Revolving Accounts	1,684,388		4,675,157		4,108,208				2,251,337
School Choice	65,508		68,725		75,507				58,726
State Special Education Reimbursement Fund	235,700		2,700,546		1,884,398				1,051,848
<b>Other:</b>									
Council on Aging Van Revolving	83,550		25,455		21,133				87,872
Donahue Rowing Center Revolving	-		80,055		52,987		(27,068)		-
Filing Fees	223,080		82,558		130,832				174,806
Gifts and Donations	560,099		398,664		384,475				574,288
Infiltration and Inflow	1,393,988		147,820		-				1,541,808
Insurance Reimbursements	502,900		11,277		42,971				471,206
Interest on School Borrowing	82,908		2,312		-		(60,000)		25,220
Law Enforcement Fund	19,126		46,240		10,410				54,956
Parks and Recreation Revolving	226,736		314,570		302,469				238,837
Police Off Duty Revolving	10,790		306,329		298,435				18,684
Public Buildings Revolving	19,172		47,702		49,074				17,800
Sale of Cemetery Lots	39,375		25,994		-		(18,000)		47,369
Septic Loan Program	10,743		-		-				10,743
Septic Loan Repayment Fund	152,037		12,034		-		(15,101)		148,970
Special Needs Recreation Fund	16,909		14,959		18,922				12,946
Surety Defaults	87,626		-		7,622				80,004
Water Conservation Fund	217,158		71,865		-		(10,000)		279,023
<b>Total Special Revenue Page 71</b>	<b>\$ 6,121,488</b>	<b>\$</b>	<b>14,005,307</b>	<b>\$</b>	<b>12,387,265</b>	<b>\$</b>	<b>(130,169)</b>	<b>\$</b>	<b>7,609,361</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
<b>Continued from Page 71</b>	\$ 6,121,488	\$ 14,005,307	\$ 12,387,265	\$ (130,169)	\$ 7,609,361
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Cemetery Stabilization Fund	66,064	21,019	-	-	87,083
Rowing Center Fund	598,800	35,168	-	27,068	661,036
Workers Compensation Fund	42,048	-	-	-	42,048
<b>Total Special Revenue Funds</b>	<b>6,828,400</b>	<b>14,061,494</b>	<b>12,387,265</b>	<b>(103,101)</b>	<b>8,399,528</b>
<b>Capital Projects:</b>					
Allen Farm	38,742	-	2,040	-	36,702
Lakeway State Grant	20,796	-	615	-	20,181
Library Building Project	-	1,592,195	677,974	-	914,221
Public Works Projects	90,223	-	14,039	-	76,184
Sherwood Middle School Project	1,570,638	100,421	1,218,590	-	452,469
Spring Street School Green Project	(629,744)	20,560	4,703	635,000	21,113
Water Projects	2,787,041	-	-	(612,082)	2,174,959
<b>Total Capital Projects</b>	<b>3,877,696</b>	<b>1,713,176</b>	<b>1,917,961</b>	<b>22,918</b>	<b>3,695,829</b>
<b>Permanent Funds:</b>					
Cemetery Funds	1,307,316	118,104	7,061	-	1,418,359
Library Funds	598,670	33,162	25,847	-	605,985
<b>Total Permanent Funds</b>	<b>1,905,986</b>	<b>151,266</b>	<b>32,908</b>	<b>-</b>	<b>2,024,344</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 12,612,082</b>	<b>\$ 15,925,936</b>	<b>\$ 14,338,134</b>	<b>\$ (80,183)</b>	<b>\$ 14,119,701</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
 SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL,  
 DEFERRED PROPERTY TAXES, AND TAXES IN LITIGATION  
 JULY 1, 2013 TO JUNE 30, 2014**

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
<b>Real Estate Taxes:</b>						
Levy of 2014	\$ -	\$ 57,197,813	\$ 465,504	\$ 56,244,364	\$ 487,945	\$ 487,945
Levy of 2013	545,986	-	131,457	403,284	11,245	11,245
Levy of 2012	6,330	-	22,629	(16,146)	(153)	(153)
Levy of 2011	(129)	-	-	-	(129)	(129)
Levy of 2010	(81)	-	1,000	(1,000)	(81)	(81)
Prior Years	(1,858)	-	-	-	(1,858)	(1,858)
	<u>550,248</u>	<u>57,197,813</u>	<u>620,590</u>	<u>56,630,502</u>	<u>496,969</u>	<u>496,969</u>
<b>Personal Property Taxes:</b>						
Levy of 2014	-	848,898	3,938	846,555	(1,595)	(1,595)
Levy of 2013	4,354	-	20	(119)	4,453	4,453
Levy of 2012	4,091	-	-	-	4,091	4,091
Levy of 2011	3,859	-	-	-	3,859	3,859
Levy of 2010	(1,884)	-	-	8	(1,892)	(1,892)
Prior Years	38,928	-	19,480	-	19,448	19,448
	<u>49,348</u>	<u>848,898</u>	<u>23,438</u>	<u>846,444</u>	<u>28,364</u>	<u>28,364</u>
<b>Supplemental Taxes</b>	<u>37,672</u>	<u>147,993</u>	<u>1,255</u>	<u>144,731</u>	<u>39,679</u>	<u>39,679</u>
<b>Deferred Property Taxes</b>	<u>22,878</u>	<u>1,187</u>	<u>-</u>	<u>-</u>	<u>24,065</u>	<u>24,065</u>
<b>Taxes in Litigation</b>	<u>4,954</u>	<u>25,325</u>	<u>-</u>	<u>3,258</u>	<u>27,021</u>	<u>27,021</u>
<b>Total Real Estate, Personal Property, Supplemental, Deferred Property Taxes and Taxes in Litigation</b>	<u>\$ 665,100</u>	<u>\$ 58,221,216</u>	<u>\$ 645,283</u>	<u>\$ 57,624,935</u>	<u>\$ 616,098</u>	<u>\$ 616,098</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
JULY 1, 2013 TO JUNE 30, 2014**

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2014	\$ -	\$ 4,844,643	\$ 106,463	\$ 4,521,501	\$ 216,679	\$ 216,679
Levy of 2013	310,244	481,021	60,582	669,081	61,602	61,602
Levy of 2012	53,520	305	3,310	23,331	27,184	27,184
Levy of 2011	27,337	444	819	5,705	21,257	21,257
Levy of 2010	21,532	-	419	2,215	18,898	18,898
Prior Years	396,861	-	280	2,425	394,156	394,156
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 809,494</b>	<b>\$ 5,326,413</b>	<b>\$ 171,873</b>	<b>\$ 5,224,258</b>	<b>\$ 739,776</b>	<b>\$ 739,776</b>

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS  
 JULY 1, 2013 TO JUNE 30, 2014

Uncollected Accounts July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2014	Uncollected Accounts Per Detail June 30, 2014
\$ 586,635	\$ 452,053	\$ 30,350	\$ 221,813	\$ 786,525	\$ 786,855

**Tax Liens**