TOWN OF SHREWSBURY, MASSACHUSETTS

REPORT ON THE EXAMINATION OF BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2009

TOWN OF SHREWSBURY, MASSACHUSETTS
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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield MA 01373
413.665.4001 (t) 413.665.0593 (f) www.scanlonhaynes.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the fiscal year ended June 30, 2009 (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, 2008), which collectively comprise the Town of Shrewsbury, Massachusetts's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shrewsbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric, which represents 52% of the assets and 65% of the revenues of the proprietary fund types and the the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represents 23% of the assets and 25% of the revenues of the proprietary fund types. These financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2009, (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, 2008),

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, on our consideration of the Town of Shrewsbury, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the general purpose financial statements of the Town of Shrewsbury, Massachusetts, taken as a whole. The supplementary supporting statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Shrewsbury, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
February 19, 2010

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, 2009.

Financial Highlights

- The Town's assets exceeded its liabilities by $177,372,700 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $181,795,537 or a decrease of $4,422,837.

- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, of $131,731,861 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net assets of $13,918,109 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  (3) Unrestricted net assets of $31,722,730 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.

- The Town's governmental funds reported total ending fund balance of $19,473,629 this year. This compares to the prior year ending fund balance of $20,903,962 showing a decrease of $1,430,333 during the current year.

- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was $5,827,509, or 6.28% of total General Fund expenditures including transfers and 6.35% of total General Fund revenues including transfers.

- Total liabilities of the Town increased by $1,723,930 to $97,873,676 during the fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement of Net Assets Highlights

	Governmental Activities		
	2009	2008	Change
Assets:			
Current assets	$ 36,215,600	$ 36,610,421	$ (394,821)
Noncurrent assets (excluding capital assets)	31,929,764	34,156,413	(2,226,649)
Capital assets	122,181,455	124,740,738	(2,559,283)
Total assets	**190,326,819**	**195,507,572**	**(5,180,753)**
Liabilities:			
Current liabilities (excluding debt)	7,516,648	6,494,107	1,022,541
Noncurrent liabilities (excluding debt)	6,091,752	859,719	5,232,033
Current debt	11,055,478	11,164,128	(108,650)
Noncurrent debt	56,841,333	61,796,811	(4,955,478)
Total liabilities	**81,505,211**	**80,314,765**	**1,190,446**
Net Assets:			
Capital assets net of related debt	88,286,536	87,869,225	417,311
Restricted	7,558,640	11,504,334	(3,945,694)
Unrestricted	12,976,432	15,819,248	(2,842,816)
Total net assets	**108,821,608**	**115,192,807**	**(6,371,199)**

	Business-Type Activities		
	2009	2008	Change
Assets:			
Current assets	$ 35,686,504	$ 33,571,462	$ 2,115,042
Noncurrent assets (excluding capital assets)	1,169,340	1,160,061	9,279
Capital assets	48,063,713	47,706,188	357,525
Total assets	**84,919,557**	**82,437,711**	**2,481,846**
Liabilities:			
Current liabilities (excluding debt)	4,512,187	3,682,588	829,599
Noncurrent liabilities (excluding debt)	7,237,890	6,964,027	273,863
Current debt	768,941	1,569,977	(801,036)
Noncurrent debt	3,849,447	3,618,389	231,058
Total liabilities	**16,368,465**	**15,834,981**	**533,484**
Net Assets:			
Capital assets net of related debt	43,445,325	42,517,822	927,503
Restricted	6,359,469	6,460,762	(101,293)
Unrestricted	18,746,298	17,624,146	1,122,152
Total net assets	**68,551,092**	**66,602,730**	**1,948,362**

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2009	2008	Change
Program Revenues:			
Charges for services	10,940,347	10,887,504	52,843
Operating grants and contributions	33,456,051	30,713,130	2,742,921
Capital grants and contributions	821,649	1,244,490	(422,841)
General Revenues:			
Property taxes	46,988,250	45,782,395	1,205,855
Motor vehicle excise and other taxes	4,306,510	4,932,805	(626,295)
Hotel room occupancy taxes	51,900	61,823	(9,923)
Penalties and interest on taxes	242,219	207,112	35,107
Nonrestricted grants	3,414,179	3,769,208	(355,029)
Unrestricted investment income	1,002,158	2,356,992	(1,354,834)
Miscellaneous	4,686	9,689	(5,003)
Total revenues	**101,227,949**	**99,965,148**	**1,262,801**
Expenses:			
General government	5,902,784	6,038,121	(135,337)
Public safety	8,427,133	7,883,437	543,696
Public works (including water)	4,968,969	5,652,960	(683,991)
Education	57,690,440	54,443,662	3,246,778
Health and human services	996,114	2,662,143	(1,666,029)
Culture and recreation	2,443,031	2,275,202	167,829
Employee benefits and insurance	22,079,723	16,801,397	5,278,326
State assessments	1,500,090	1,183,974	316,116
Interest	3,188,374	3,345,328	(156,954)
Total expenses	**107,196,658**	**100,286,224**	**6,910,434**
Special Items - MSBA Grant Reduction	**-**	**(7,399,087)**	**7,399,087**
Transfers	**(402,490)**	**666,241**	**(1,068,731)**
Change in net assets	**(6,371,199)**	**(7,053,922)**	**682,723**
Net assets - beginning of year	**115,192,807**	**122,246,729**	**(7,053,922)**
Net assets - end of year	**$ 108,821,608**	**$ 115,192,807**	**$ (6,371,199)**

	Business-Type Activities		
	2009	2008	Change
Program Revenues:			
Charges for services	$ 49,529,511	$ 43,965,967	$ 5,563,544
Operating grants and contributions	114,599	610,292	(495,693)
Total revenues	**49,644,110**	**44,576,259**	**5,067,851**
Expenses:			
Sewer	2,984,387	2,754,066	230,321
Solid waste	1,777,944	-	1,777,944
Electric light	32,683,239	28,906,498	3,776,741
Community Cablevision	10,680,209	9,413,748	1,266,461
Total expenses	**48,125,779**	**41,074,312**	**7,051,467**
Transfers	**430,031**	**(628,441)**	**1,058,472**
Change in net assets	**1,948,362**	**2,873,506**	**(925,144)**
Net assets - beginning of year	**66,602,730**	**63,729,224**	**2,873,506**
Net assets - end of year	**$ 68,551,092**	**$ 66,602,730**	**$ 1,948,362**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $177,372,700 at the close of FY 2009.

Net assets of $131,731,861 (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the net assets $13,918,109 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* $31,722,730 (18%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets decreased by $6,371,199 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to expenditures exceeding revenues by $5,968,709 (primarily from recognizing the OPEB liability obligation for the first time) and transfers to the business-type activities of $402,490.

There was an increase of $1,948,362 in net assets reported in connection with the sewer, solid waste, electric light and community cablevision business-type activities. The sewer department increase of $870,066 was attributable to operating revenues exceeding operating expenditures by $834,370, non-operating revenues (expenses) of $(898) and a net general fund subsidy of $36,594. The solid waste department increase of $273,849 was attributable to operating expenditures exceeding operating revenues by $808,786 and a net general fund subsidy of $1,082,635. The electric light department decrease at December 31, 2008 of $512,989 was attributed to operating expenditures exceeding operating revenues by $329,614, non-operating revenues (expenses) of $13,332 less transfers to the general fund of $196,707. The community cablevision increase at December 31, 2008 of $1,317,436 was attributed to operating revenue exceeding operating expenses of $1,915,185, non-operating revenues (expenses) of ($105,258) less transfers to the general fund of $492,491.

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, *unreserved 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 $19,473,629 a decrease of $1,430,333 in comparison with the prior year.

The decrease was mainly due to expenditures exceeding revenues by $1,027,843 and net transfers to the business-type funds in the amount of $402,490.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $19,473,629. Of this year-end total, $5,827,509 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include $5,134,307 committed to liquidate encumbrances and carried forward articles remaining from the prior year; $610,065 reserved for payment of debt on the school building projects; $2,590,736 reserved for the 2010 budget; $6,814,098 in special revenue funds; ($3,296,240) in capital projects funds; and $1,793,154 in permanent funds.

The deficit of $(3,296,240) in the capital projects fund includes the Allen Farm property acquisition fund that ended the fiscal year 2009 with a negative fund balance of $6,048,513 due to the fact that interim financing is being accomplished with bond anticipation notes. A total of $6,100,000 in bond anticipation notes were outstanding on this project. Permanent financing will be done once the project nears completion. At that time the deficit will be eliminated.

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was $5,827,509, while total fund balance reached $12,933,489. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 6.28% of total general fund expenditures including transfers and total fund balance represents 13.94% of that same amount. Unreserved/undesignated fund balance represents 6.35% of total general fund revenues including transfers and total fund balance represents 14.09% of that same amount.

The fund balance of the general fund decreased by $945,172. Of this amount $848,007 was attributed to the expenditures exceeding revenues and $97,165 of net transfers to the business-type funds.

The *Stabilization Fund* has accumulated a fund balance of $641,497, or .69% of total general fund expenditures including transfers and .70% of total general fund revenues including transfers. These funds can be used for general or capital purposes upon Town meeting approval.

The fund balance of the stabilization fund increased by $18,707. Of this amount $18,707 was attributed to interest income. Please refer to Note 3G for additional information.

The *Allen Farm Property Acquisition fund* has a negative fund balance of $6,048,513. The fund is used to account for financial resources to acquire the land and buildings situated in the Town. The fund ended fiscal year 2009 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of $6,100,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund decreased by $2,241. Of this amount $2,241 was attributed to expenditures.

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.

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the Town's sewer system. The fund shows an increase of $870,066, attributable to operational revenue exceeding operating costs by $834,370, intergovernmental revenues (Massachusetts water pollution abatement trust subsidies) of $11,612, interest expense of $12,510 and transfers from the general fund and special revenue fund of $6,090 and $30,504, respectively.

The *Solid Waste Fund* is the financing and operations of the Town's municipal and residential solid waste collection, processing and disposal services. The fund shows an

increase of $273,849, attributable to operational costs exceeding operating revenue by $808,786 and transfers from the general fund and special revenue fund of $740,398 and $342,237, respectively.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2008 shows a decrease of $512,989, attributed to operating expenditures exceeding revenues by $329,614, investment income of $104,916, interest expense of $89,655, other expense of $1,929 and transfers to the general fund of $196,707.

The *Community Cablevision Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2008 shows an increase of $1,317,436, attributed to operating revenue exceeding operating expenses of $1,915,185, interest expense of $105,258 and transfers to the general fund of $492,491.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2009 was $94,843,379. This was an increase of $3,840,777 over the previous year's budget.

There was an increase of $617,910 between the original budget and the final amended budget. The increase is attributed from the Town amending specific expenditure line items of the final budget, primarily the Grafton Roadway project for $75,000; snow and ice for $160,000; ice storm damage for $400,000. The Town also transferred $11,000 back to the general fund from the cemetery perpetual care fund and also had a salary reserve fund transfer to the sewer fund for $6,090. Of the $10,435,823 in under budget expenditures $5,645,915 has been carried over to fiscal year 2010.

There are negative variances in property taxes, state receipts, excise and other taxes and interest on investments of $298,912, $2,264,956, $151,583 and $120,441, respectively. The negative variance in property taxes is the result of a decrease in collections. The negative variance in state receipts is largely the result of a reduction in state aid as announced by the Commonwealth as a result of the condition of the state budget. The Commonwealth replaced a portion of these funds with the American Recovery and Reinvestment Act (ARRA). The negative variance in excise and other taxes is the result of a decline in vehicle sales and an increase in vehicle age. The negative variance in interest on investments was attributed to a drop in interest rates.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2009, (December 31, 2008 for the electric light fund and the community cablevision fund) amounts to $122,181,455 and $48,063,713, 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:

- Vehicle for building maintenance for $18,532.
- Foreclosures for $6,212,
- Beal and Paxton school building repairs for $158,205.
- Three police vehicles for $88,972.
- Fire station buildings renovations for $398,475.
- Water infrastructure system improvements for $1,076,650.
- Road infrastructure improvements for $731,930.
- A sweeper for the department of public works for $126,678.
- A vehicle for the water department for $19,631.
- A recreation vehicle for $18,516.
- A mower for the recreation department for $26,370.

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

In the sewer fund:

- A sewer vehicle for $36,311.
- Sewer systems improvements for $90,275.

In the electric light and cablevision funds capital acquisitions were $1,764,349 and $2,052,051, respectively.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2009, totaled $61,796,811. The primary debt is education debt of $51,385,350, conservation land acquisition debt of $2,660,000, fire facility renovations of $6,420,000, a water tank for $1,125,000 and septic Title V debt of $206,461. Debt also includes bond anticipation notes of $6,100,000 for land acquisition.

The business-type funds have $4,618,388 consisting of sewer activity debt of $372,738, electric light activity debt of $2,140,650 (at December 31, 2008) and cablevision activity debt of $2,105,000 (at December 31, 2008).

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	$ 2,604,620	$ 4,293,578	$ 6,898,198
Investments	28,324,557	12,085,606	40,410,163
Receivables, net of allowance for uncollectibles:			
Property Taxes	420,165	-	420,165
Deferred Property Taxes	26,334	-	26,334
Taxes in Litigation	9,403	-	9,403
Tax Liens	424,486	-	424,486
Excise Taxes	250,928	-	250,928
User Charges	326,427	4,170,524	4,496,951
Other	-	1,158,218	1,158,218
Special Assessments	21,599	-	21,599
Due from Other Governments	3,807,081	30,437	3,837,518
Loan Receivable	-	16,708	16,708
Materials and Supplies	-	671,269	671,269
Prepaid Expenses	-	2,892,300	2,892,300
Restricted Cash and Investments:			
Depreciation Fund	-	3,113,323	3,113,323
Rate Stabilization Reserve Fund	-	7,212,235	7,212,235
Investment in Other Companies	-	42,306	42,306
Total current assets	36,215,600	35,686,504	71,902,104
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	315,295	830,715	1,146,010
Due from Other Governments	31,614,469	-	31,614,469
Loan Receivable	-	45,935	45,935
Other	-	292,690	292,690
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	15,241,217	496,265	15,737,482
Depreciable	106,940,238	47,567,448	154,507,686
Total noncurrent assets	154,111,219	49,233,053	203,344,272
Total Assets	190,326,819	84,919,557	275,246,376
LIABILITIES			
CURRENT:			
Warrants Payable	1,040,751	4,454,160	5,494,911
Accrued Payroll	3,429,011	11,195	3,440,206
Employee Withholdings	880,632	-	880,632
Tax Refund Payable	125,300	-	125,300
Taxes Collected in Advance	103,221	-	103,221
Accrued Interest	1,174,742	42,246	1,216,988
Other	313,586	1,596	315,182
Compensated Absences	449,405	2,990	452,395
Bond Anticipation Notes	6,100,000	-	6,100,000
Bonds Payable	4,955,478	768,941	5,724,419
Total current liabilities	18,572,126	5,281,128	23,853,254
NONCURRENT:			
Accumulated Provision for Rate Refund	-	7,212,235	7,212,235
Compensated Absences	895,420	8,967	904,387
OPEB Obligation Payable	5,196,332	16,688	5,213,020
Bonds Payable	56,841,333	3,849,447	60,690,780
Total noncurrent liabilities	62,933,085	11,087,337	74,020,422
Total Liabilities	81,505,211	16,368,465	97,873,676
NET ASSETS:			
Invested in Capital Assets, net of related debt	88,286,536	43,445,325	131,731,861
Restricted for:			
Capital Projects	2,803,760	3,246,146	6,049,906
Federal & State Grants	1,776,423	-	1,776,423
Permanent Funds	1,793,154	-	1,793,154
Other Purposes	1,185,303	-	1,185,303
Depreciation	-	3,113,323	3,113,323
Unrestricted	12,976,432	18,746,298	31,722,730
Total Net Assets	$ 108,821,608	$ 68,551,092	$ 177,372,700

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, 2009

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 5,902,784	$ 333,111	$ 175,591	$ -	$ (5,394,082)	$ -	$ (5,394,082)
Public Safety	8,427,133	1,122,645	302,615	-	(7,001,873)	-	(7,001,873)
Public Works (including Water)	4,968,969	3,504,603	338,984	821,649	(303,733)	-	(303,733)
Education	57,690,440	4,409,059	22,270,955	-	(31,010,426)	-	(31,010,426)
Health and Human Services	996,114	1,084,667	185,864	-	274,417	-	274,417
Culture and Recreation	2,443,031	486,262	160,679	-	(1,796,090)	-	(1,796,090)
Employee Benefits and Insurance	22,079,723	-	8,604,915	-	(13,474,808)	-	(13,474,808)
State Assessments	1,500,090	-	-	-	(1,500,090)	-	(1,500,090)
Interest	3,188,374	-	1,416,448	-	(1,771,926)	-	(1,771,926)
Total Governmental Activities	107,196,658	10,940,347	33,456,051	821,649	(61,978,611)	-	(61,978,611)
Business-Type Activities:							
Sewer	2,984,387	3,806,247	11,612	-	-	833,472	833,472
Solid Waste	1,777,944	969,158	-	-	-	(808,786)	(808,786)
Electric Light	32,683,239	32,263,970	102,987	-	-	(316,282)	(316,282)
Community Cablevision	10,680,209	12,490,136	-	-	-	1,809,927	1,809,927
Total Primary Government	$ 155,322,437	$ 60,469,858	$ 33,570,650	$ 821,649	(61,978,611)	1,518,331	(60,460,280)
General Revenues:							
Property Taxes					46,988,250	-	46,988,250
Motor vehicle and other excise taxes					4,306,510	-	4,306,510
Hotel Room Occupancy Taxes					51,900	-	51,900
Penalties & Interest on Taxes					242,219	-	242,219
Grants & Contributions not restricted to specific programs					3,414,179	-	3,414,179
Unrestricted Investment Income					1,002,158	-	1,002,158
Miscellaneous					4,686	-	4,686
Transfers, net					(402,490)	430,031	27,541
Total General Revenues, Special Items and Transfers					55,607,412	430,031	56,037,443
Change in Net Assets					(6,371,199)	1,948,362	(4,422,837)
Net Assets:							
Beginning of year					115,192,807	66,602,730	181,795,537
End of year					$ 108,821,608	$ 68,551,092	$ 177,372,700

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

TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

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

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, 2009

	General Fund	Stabilization Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	$ 47,047,914	$ -	$ -	$ -	$ 47,047,914
State Receipts	24,503,098	-	-	-	24,503,098
Excise and Other Taxes	4,436,417	-	-	-	4,436,417
Licenses, Permits, Fees	6,207,320	-	-	-	6,207,320
Interest on Taxes	242,219	-	-	-	242,219
Investment Income	983,451	18,707	-	90,674	1,092,832
Intergovernmental - "On-behalf" Payments	6,620,801	-	-	-	6,620,801
Grants and Fees	-	-	-	13,139,287	13,139,287
Total Revenues	90,041,220	18,707	-	13,229,961	103,289,888
Expenditures:					
Current:					
General Government	5,812,493	-	2,241	211,297	6,026,031
Public Safety	7,545,071	-	-	937,674	8,482,745
Public Works (including Water)	5,009,291	-	-	999,170	6,008,461
Education	45,580,677	-	-	8,521,956	54,102,633
Health and Human Services	733,338	-	-	193,126	926,464
Culture and Recreation	1,691,891	-	-	578,926	2,270,817
Employee Benefits and Insurance	14,899,277	-	-	1,984,114	16,883,391
State Assessments	1,500,090	-	-	-	1,500,090
Debt Service:					
Principal	5,064,128	-	-	-	5,064,128
Interest	3,052,971	-	-	-	3,052,971
Total Expenditures	90,889,227	-	2,241	13,426,263	104,317,731
Excess of Revenues Over (Under) Expenditures	(848,007)	18,707	(2,241)	(196,302)	(1,027,843)
Other Financing Sources (Uses):					
Operating Transfers In	1,760,338		-	1,111,015	2,871,353
Operating Transfers Out	(1,857,503)	-	-	(1,416,340)	(3,273,843)
Total Other Financing Sources (Uses)	(97,165)	-	-	(305,325)	(402,490)
Net Change in Fund Balances	(945,172)	18,707	(2,241)	(501,627)	(1,430,333)
Fund Balances, Beginning of Year	13,878,661	622,790	(6,046,272)	12,448,783	20,903,962
Fund Balances, End of Year	$ 12,933,489	$ 641,497	$ (6,048,513)	$ 11,947,156	$ 19,473,629

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2009

Total Governmental Fund Balances		$ 19,473,629
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		122,181,455
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		36,679,234
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payable	$ (61,796,811)	
Other Post Employment Benefits Payable	(5,196,332)	
Compensated Absences	(1,344,825)	(68,337,968)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		(1,174,742)
Net Assets of Governmental Activities		$ 108,821,608

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, 2009

Net Change in Fund Balances - Total Governmental Funds			$ (1,430,333)
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 reported as depreciation expense:			
Capital Outlay Purchases	$ 2,670,171		
Depreciation	(5,229,454)		(2,559,283)
Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue			(2,061,939)
The Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:			
Repayment of Debt Principal			5,064,128
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	(52,037)		
Net Change in Other Post Employment Benefits	(5,196,332)		
Net Change in Accrued Interest on Long-Term Debt	(135,403)		(5,383,772)
Change in Net Assets of Governmental Activities			$ (6,371,199)

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, 2009

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Property Taxes	$ 47,527,126	$ 47,527,126	$ 47,228,214	$ -	$ (298,912)
State Receipts	26,768,054	26,768,054	24,503,098	-	(2,264,956)
Excise and Other Taxes	4,588,000	4,588,000	4,436,417	-	(151,583)
Licenses, Permits, Fees	5,870,000	5,870,000	6,207,320	-	337,320
Interest on Taxes	170,000	170,000	242,219	-	72,219
Interest on Investments	1,300,000	1,300,000	1,179,559	-	(120,441)
Total Revenues	86,223,180	86,223,180	83,796,827	-	(2,426,353)
Expenditures:					
Current:					
General Government	8,600,316	8,249,341	5,812,493	1,545,728	891,120
Public Safety	7,360,051	7,953,973	7,545,071	126,286	282,616
Public Works (including Water)	8,654,163	8,983,348	5,009,291	3,582,001	392,056
Education	46,041,404	46,041,404	45,580,677	260,723	200,004
Health and Human Services	843,730	858,238	733,338	66,319	58,581
Culture and Recreation	1,848,540	1,879,810	1,691,891	64,858	123,061
Employee Benefits and Insurance	11,118,497	11,118,497	8,278,476	-	2,840,021
State Assessments	1,502,535	1,502,535	1,500,090	-	2,445
Debt Service:					
Principal	5,064,128	5,064,128	5,064,128	-	-
Interest	3,192,105	3,192,105	3,192,101	-	4
Total Expenditures	94,225,469	94,843,379	84,407,556	5,645,915	4,789,908
Excess of Revenues Over (Under) Expenditures	(8,002,289)	(8,620,199)	(610,729)	(5,645,915)	2,363,555
Other Financing Sources (Uses):					
Operating Transfers In (Out)	226,645	(115,445)	(97,165)	-	18,280
Total Other Financing Sources (Uses)	226,645	(115,445)	(97,165)	-	18,280
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(7,775,644)	(8,735,644)	(707,894)	(5,645,915)	2,381,835
Budgetary Fund Balance - Beginning of Year	13,502,770	13,502,770	13,502,770	-	-
Budgetary Fund Balance - End of Year	$ 5,727,126	$ 4,767,126	$ 12,794,876	$ (5,645,915)	$ 2,381,835

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, 2009

	Revenues	Expenditures
Reported on a Budgetary Basis	$ 83,796,827	$ 84,407,556
Net Decrease in Revenue from recording Refund Taxes Payable	(72,300)	-
Recognition of intergovernmental Revenue - "on behalf payments"	6,620,801	-
Recognition of Expenditures - "on behalf payments"	-	6,620,801
Net Decrease in Expenditures - Accrued Expenses	-	(139,130)
Net Change in Fair Value of Investments	(196,108)	-
Net Decrease in Revenue from Recording 60-Day Receipts	(108,000)	-
Reported on a GAAP Basis	$ 90,041,220	$ 90,889,227

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

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2008)	Cable Operations Fund (as of December 31, 2008)	Total
ASSETS					
CURRENT:					
Cash and Cash Equivalents	$ 2,674,552	$ 242,297	$ 652,369	$ 724,360	$ 4,293,578
Investments	7,264,614	-	2,284,449	2,536,543	12,085,606
User Charges, net of allowance	398,761	70,750	2,725,103	975,910	4,170,524
Other Receivables	82,473	-	1,013,078	62,667	1,158,218
Due From Other Governments	30,437	-	-	-	30,437
Materials and Supplies	-	-	204,750	466,519	671,269
Loan Receivable	-	-	16,708	-	16,708
Prepaid Expenses	-	-	2,803,496	88,804	2,892,300
Restricted Cash and Investments:					
Depreciation Fund	-	-	3,113,323	-	3,113,323
Rate Stabilization Reserve Fund	-	-	7,212,235	-	7,212,235
Investment in Other Companies	-	-	42,306	-	42,306
Total current assets	10,450,837	313,047	20,067,817	4,854,803	35,686,504
NONCURRENT:					
Special Assessments Receivable	830,715	-	-	-	830,715
Loan Receivable	-	-	45,935	-	45,935
Other	-	-	292,690	-	292,690
Capital Assets, net of accumulated depreciation:					
Nondepreciable	76,555	-	382,257	37,453	496,265
Depreciable	9,259,987	-	23,490,428	14,817,033	47,567,448
Total noncurrent assets	10,167,257	-	24,211,310	14,854,486	49,233,053
Total Assets	20,618,094	313,047	44,279,127	19,709,289	84,919,557
LIABILITIES					
CURRENT:					
Accounts Payable	46,699	39,198	3,463,112	905,151	4,454,160
Accrued Payroll	11,195	-	-	-	11,195
Accrued Interest	2,322	-	31,695	8,229	42,246
Other	-	-	1,596	-	1,596
Compensated Absences	2,990	-	-	-	2,990
Bonds Payable	27,941	-	386,000	355,000	768,941
Total current liabilities	91,147	39,198	3,882,403	1,268,380	5,281,128
NONCURRENT:					
Accumulated Provision for Rate Refund	-	-	7,212,235	-	7,212,235
Compensated Absences	8,967	-	-	-	8,967
OPEB Obligation Payable	16,688	-	-	-	16,688
Bonds Payable	344,797	-	1,754,650	1,750,000	3,849,447
Total noncurrent liabilities	370,452	-	8,966,885	1,750,000	11,087,337
Total Liabilities	461,599	39,198	12,849,288	3,018,380	16,368,465
NET ASSETS:					
Invested in Capital Assets, net of related debt	8,963,804	-	21,732,035	12,749,486	43,445,325
Restricted for Depreciation	-	-	3,113,323	-	3,113,323
Restricted for Capital	3,246,146	-	-	-	3,246,146
Unrestricted	7,946,545	273,849	6,584,481	3,941,423	18,746,298
Total Net Assets	$ 20,156,495	$ 273,849	$ 31,429,839	$ 16,690,909	$ 68,551,092

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

TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2008)	Cable Operations Fund (as of December 31, 2008)	Total
Operating Revenues:					
Charges for Services	$ 3,780,930	$ 969,158	$ 32,046,588	$ 12,224,825	$ 49,021,501
Other	25,317	-	217,382	265,311	508,010
Total Operating Revenues	3,806,247	969,158	32,263,970	12,490,136	49,529,511
Operating Expenses:					
Salaries & Wages	293,353	-	-	-	293,353
Operating Expenses	2,300,844	1,777,944	29,932,412	8,362,871	42,374,071
Maintenance Expenses	-	-	1,237,420	428,051	1,665,471
Depreciation	377,680	-	1,423,752	1,784,029	3,585,461
Total Operating Expenses	2,971,877	1,777,944	32,593,584	10,574,951	47,918,356
Operating Income (Loss)	834,370	(808,786)	(329,614)	1,915,185	1,611,155
Non-Operating Revenues (Expenses):					
Investment Income	-	-	104,916	-	104,916
Intergovernmental	11,612	-	-	-	11,612
Reliability Must Run Refund	-	-		-	-
Other	-	-	(1,929)	-	(1,929)
Interest Expense	(12,510)	-	(89,655)	(105,258)	(207,423)
Total Non-Operating Revenues (Expenses)	(898)	-	13,332	(105,258)	(92,824)
Income (Loss) Before Operating Transfers	833,472	(808,786)	(316,282)	1,809,927	1,518,331
Operating Transfers:					
Transfer In	36,594	1,082,635	-	-	1,119,229
Transfers (Out)	-		(196,707)	(492,491)	(689,198)
Total Operating Transfers	36,594	1,082,635	(196,707)	(492,491)	430,031
Change in Net Assets	870,066	273,849	(512,989)	1,317,436	1,948,362
Net Assets at Beginning of Year	19,286,429	-	31,942,828	15,373,473	66,602,730
Net Assets at End of Year	$ 20,156,495	$ 273,849	$ 31,429,839	$ 16,690,909	$ 68,551,092

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

TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2008)	Cable Operations Fund (as of December 31, 2008)	Total
Cash Flows From Operating Activities:					
Receipts from Customers and Users	$ 3,667,790	$ 898,408	$ 31,477,902	$ 12,444,137	$ 48,488,237
Receipts from Other Revenues	25,317	-	-	-	25,317
Payments to Vendors and Employees	(2,578,226)	(1,738,746)	(30,431,233)	(8,748,027)	(43,496,232)
Net Cash Provided by (Used for) Operating Activities	1,114,881	(840,338)	1,046,669	3,696,110	5,017,322
Cash Flows from Noncapital Financing Activities:					
Transfers from (to) Other Funds	36,594	1,082,635	(196,707)	(492,491)	430,031
Net Cash Provided by (Used for) Noncapital Financing Activities	36,594	1,082,635	(196,707)	(492,491)	430,031
Cash Flows from Capital and Related Financing Activities:					
Intergovernmental Revenues	11,612	-	-	-	11,612
Transfers From Depreciation Fund	-	-	(46,323)	-	(46,323)
Other	-	-	(100,210)	-	(100,210)
Acquisition and Construction of Capital Assets	(126,586)	-	(1,764,349)	(2,052,051)	(3,942,986)
Principal Payments on Bonds and Notes	(27,478)	-	(187,500)	(355,000)	(569,978)
Interest Expense	(12,688)	-	(133,271)	(106,560)	(252,519)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(155,140)	-	(2,231,653)	(2,513,611)	(4,900,404)
Cash Flows from Investing Activities:					
Investment Income	-	-	104,916	-	104,916
Payments from (to) Customers for Energy Conservation Loans	-	-	(11,883)	-	(11,883)
Proceeds/(Purchase) of Investments	(1,410,047)	-	483,165	(853,466)	(1,780,348)
Net Cash Provided by (Used for) Investing Activities	(1,410,047)	-	576,198	(853,466)	(1,687,315)
Net Increase (Decrease) in Cash and Cash Equivalents	(413,712)	242,297	(805,493)	(163,458)	(1,140,366)
Cash and Cash Equivalents at Beginning of Year	3,088,264	-	1,457,862	887,818	5,433,944
Cash and Cash Equivalents at End of Year	$ 2,674,552	$ 242,297	$ 652,369	$ 724,360	$ 4,293,578

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

TOWN OF SHREWSBURY, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Solid Waste Fund	Electric Light Fund (as of December 31, 2008)	Cable Operations Fund (as of December 31, 2008)	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:					
Operating Income (Loss)	$ 834,370	$ (808,786)	$ (329,614)	$ 1,915,185	1,611,155
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	377,680	-	1,423,752	1,784,029	3,585,461
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable	(8,533)	39,198	740,980	98,692	870,337
Increase (Decrease) in Accrued Payroll	5,234	-	-	-	5,234
Increase (Decrease) in Compensated Absences	2,582	-	-	-	2,582
Increase (Decrease) in OPEB Obligation Payable	16,688	-	-	-	16,688
Decrease (Increase) in Materials and Supplies	-	-	66,801	(66,993)	(192)
Decrease (Increase) in Prepaid Expenses	-	-	(69,182)	11,196	(57,986)
Decrease (Increase) in Other Accounts Receivable	-	-	(489,211)	(18,693)	(507,904)
Decrease (Increase) in Customer Accounts Receivable	(113,140)	(70,750)	(296,857)	(27,306)	(508,053)
Total Adjustments	280,511	(31,552)	1,376,283	1,780,925	3,406,167
Net Cash Provided by (Used for) Operating Activities	$ 1,114,881	$ (840,338)	$ 1,046,669	$ 3,696,110	$ 5,017,322

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

TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	SHREWSBURY Employees Retirement System Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 219,375	$ 2,969	$ 1,589,187
Investments	48,703,582	359,781	30,432
Accrued Interest and Dividends	1,084	-	-
Accounts Receivable	-	-	-
Total Assets	48,924,041	362,750	1,619,619
LIABILITIES			
Warrants Payable	45,382	-	-
Due to Others	-	-	108,825
Due to Student Groups	-	-	259,494
Escrows and Deposits	-	-	1,251,300
Total Liabilities	45,382	-	1,619,619
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	$ 48,878,659	$ 362,750	$ -

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

TOWN OF SHREWSBURY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	SHREWSBURY Employees Retirement System Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds
Additions		
Contributions:		
Employers	$ 3,175,073	$ -
Plan Members	2,081,253	-
Transfers/Reimbursements from Other Systems	173,737	-
Federal Grant Reimbursements	45,653	-
Commonwealth of Massachusetts - COLA	170,223	-
Private Donations	-	22,922
Total Contributions	5,645,939	22,922
Investment Income:		
Interest & Dividends	711,840	14,168
Net Change in Fair Value of Investments	(19,428,734)	(3,297)
Total Investment Earnings	(18,716,894)	10,871
Less Investment Expense	(367,900)	-
Net Investment Earnings	(19,084,794)	10,871
Total Additions	(13,438,855)	33,793
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	4,456,313	-
Refunds to Members	214,958	-
Transfers to Other Systems	223,562	-
Educational Scholarships	-	22,998
Charitable Expenses	-	45
General Expenses	44,873	-
Total Deductions	4,939,706	23,043
Change in Net Assets	(18,378,561)	10,750
Net Assets at Beginning of Year	67,257,220	352,000
Net Assets at End of Year	$ 48,878,659	$ 362,750

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

Shrewsbury Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income elderly, handicap and families. 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.

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

B. Government-Wide and Fund Financial Statements

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

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

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.

Fiduciary funds are reported by fund type.

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

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

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

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 government 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 *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

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

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

Investment income from proprietary funds is maintained in those funds.

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, 2008 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 2009 on June 30, 2008, that were due on August 1, 2008 and November 3, 2008 and actual bills on December 31, 2008 that were due on February 2, 2009 and May 1, 2009.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2009 is $48,094,014 consisting of a base of $44,301,335 and a debt exclusion of $3,792,679. The total amount raised by taxation was $48,060,756.

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

Excise Taxes

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

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

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

User Charges

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

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

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

Special Assessments

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

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

Due from Other Governments

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

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

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 consists of parts and accessories for installations required for service and are stated at cost using first in first out method for valuing inventory.

H. Prepaid Expenses

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

I. Capital Assets

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

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

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

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

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

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

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

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

The statutory provision for depreciation of the utility plant in the electric light enterprise fund and the cablevision enterprise fund is computed on a straight-line method at 3 percent of cost of plant in service at the beginning of the year, exclusive of land and land rights.

Therefore no depreciation is taken in the year of plant additions. Massachusetts law stipulates that SELCO – Electric may exceed the 3 percent depreciation rate only with the approval of the DTE.

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

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

J. 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 in 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,

2008 was $7,212,235. The increase was interest earned on SELCO-Electric's invested balance. The balance is offset by a corresponding liability for the accumulated provisions for rate refund. SELCO-Electric utilizes the fund solely for its ratepayers.

- The *investment in other companies fund* is used to hold funds of the electric light fund's equity requirements for the Hydro-Quebec phase II interconnection as required under agreements with the New England Hydro-Transmission Electric Company, Inc. and the New England Hydro-Transmission Corporation.

K. 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.

L. Deferred Revenue

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

M. Net Assets and Fund Equity

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Payment of debt" represents amounts received from the Commonwealth of Massachusetts for school building assistance on school projects. The amounts are to be reserved for the future payment of school construction debt.

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The Town includes the following in the reserve:

General Fund:			
Undesignated fund balance	$ 850,000		
Continung appropriations	511,608	$	1,361,608
Stabilization Fund			496,000
Nonmajor Governmental Funds:			
Sale of cemetery lots	$ 18,000		
Septic loan repayment fund	15,128		
Interest on school borrowing	500,000		
Gifts	200,000		733,128
		$	2,590,736

N. Long-term Debt

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

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

O. 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.

P. 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. For the fiscal year ending June 30, 2009, the expense/expenditure totaled approximately $1,431,162. There were approximately 426 participants eligible to receive benefits at June 30, 2009.

Q. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

-All boards, officers and committees of the Town shall annually, at the request of the town manager, submit in writing a detailed estimate of the appropriations required for the efficient and proper conduct of their respective departments and offices during the next fiscal year.

-Not less than ninety days prior to the date of the start of the annual Town meeting, the town manager shall submit to each member of the finance committee and of the board of selectmen, a copy of the annual budget.

-The finance committee shall consider the annual budget prepared by the town manager and may confer with Town boards, officers, and committees and may hold hearings if they deem it advisable.

-The finance committee shall thereupon approve or disapprove the amount. The committee shall furnish to the selectmen on or before April 1st of each year a report with the recommendations and the same shall be printed and ready for distribution at the annual Town meeting.

-The budget is legally enacted by vote at the annual Town meeting.

-Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

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 2009, the Town incurred a final budget deficit of $8,735,644 for the General Fund.

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

Unreserved fund balance:		
Free cash votes	$	3,781,426
Prior year's encumbrances		4,954,218
	$	8,735,644

B. Deficit Fund Equity

The following funds had deficits at June 30, 2009 as measured by the balances of unreserved fund balance.

- The Allen farm property acquisition fund had a deficit fund balance of $6,048,513. The Town has bond anticipation notes outstanding for $6,100,000. The deficit will be eliminated when the long term debt is issued.

- The police task force reimbursement fund had a deficit fund balance of $205. The deficit will be eliminated upon the receipt of additional reimbursements.

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, 2009 were $10,365,998. Of these, $8,211,306 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, 2008 were $247,402. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – Town Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and notes proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation 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, 2009, the Town had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1 to 5
Debt Securities:			
U. S. government agencies	$ 21,771,239	$ -	$ 21,771,239
Corporate bonds	4,347,475	670,259	3,677,216
Money market mutual fund	5,402,471	5,402,471	-
	31,521,185	6,072,730	25,448,455
Other Investments:			
Certificate of deposts	4,132,649		
Equity mutual funds	811,685		
Equity securities - domestic	2,873		
MMDT	4,331,984		
	$ 40,800,376		

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 $40,800,376 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town's exposure to credit risk as of June 30, 2009 is as follows:

		Moody's Quality Ratings					
Related Debt Instruments	Fair Value	Aaa	Aa2	A2	Baa1	Baa2	Not Rated
Debt Securities:							
U. S. government agencies	$ 21,771,239	$21,771,239	$ -	$ -	$ -	$ -	$ -
Corporate bonds	4,347,475	-	1,152,371	699,494	942,957	1,552,653	-
Money market mutual fund	5,402,471	-	-	-	-	-	5,402,471
	$ 31,521,185	$21,771,239	$ 1,152,371	$ 699,494	$ 942,957	$ 1,552,653	$ 5,402,471

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 Farm Credit Banks, Federal Home Loan Mortgage Company, Federal Home Loan Bank and Federal National Mortgage Association amounting to 7.05%, 13.26%, 14.77% and 18.28%, respectively, of the Town's total investments.

Investment Policies – Shrewsbury Contributory Retirement System

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

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

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

- Fixed income investments shall be permitted in bonds issued by the State of Israel.

- Fixed income investments shall have a minimum quality rating of Baa/BBB as rated by one or more recognized bond rating service at The time of purchase. Fixed income investments that are downgraded below Baa/BBB shall be liquidated within a reasonable period of time determined by the manager so as not to be detrimental to the plan. If the manager determines it prudent to hold an investment that has been downgraded below Baa/BBB, they will be required to report at least monthly the status of said bond and reasons for holding said bond.

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

- For the purposes of these guidelines, convertible bonds and convertible preferred stocks shall be considered fixed income investments.

- Miscellaneous provisions:
  - Use of swaps, primes, scores or other similar products are prohibited.
  - Use of margin buying is prohibited.
  - Use of derivative investments including but not limited to: Forwards, future options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and mortgage-backed securities are not considered derivative investments for the purposes of these guidelines.
  - Short selling of securities is prohibited.
  - Unregistered or restricted stocks are prohibited.
  - Commodities are prohibited.
  - 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, 2008, the System had the following investments and maturities:

		Maturity in Years	
Investment Type	Fair Value	Less Than a Year	6 to 10
Debt Securities:			
Money market mutual funds	$ 2,853,000	$ 2,853,000	$ -
Bond mutual fund	5,864,979	-	5,864,979
	8,717,979	2,853,000	5,864,979
Other Investments:			
Equity securities - Domestic	9,607,440		
Equity mutual funds - Domestic	3,284,095		
Equity mutual funds - International	2,781,014		
Pooled mutual fund-PRIM	24,313,054		
	$ 48,703,582		

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

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's $48,703,582 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

The System's exposure to credit risk as of December 31, 2008 is as follows:

		Moody Quality Ratings	
Related Debt Instruments	Fair Value	AAA	Not Rated
Money market mutual fund	$ 2,853,000	$ -	$ 2,853,000
Bond mutual fund	5,864,979	5,864,979	-
	$ 8,717,979	$ 5,864,979	$ 2,853,000

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.

The rate stabilization fund and investment in other companies fund are shown as restricted assets and are not in the custody of Town.

B. Receivables

At June 30, 2009, receivables for the individual major governmental funds and non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	$ 488,024	$ (67,859)	$ 420,165
Deferred property taxes	26,334	-	26,334
Taxes in litigation	11,787	(2,384)	9,403
Tax liens	443,883	(19,397)	424,486
Excise taxes	560,428	(309,500)	250,928
User charges	331,427	(5,000)	326,427
Special assessments	336,894	-	336,894
Due from other governments	35,421,550	-	35,421,550
	$ 37,620,327	$ (404,140)	$ 37,216,187

At June 30, 2009 and (December 31, 2008 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer activities:			
User charges	$ 403,761	$ (5,000)	$ 398,761
Other receivables - special assessments (Current)	82,473	-	82,473
Special assessments (Noncurrent)	830,715	-	830,715
Due from other governments	30,437	-	30,437
	1,347,386	(5,000)	1,342,386
Solid waste activities:			
User charges	70,750	-	70,750
Electric light activities:			
User charges	2,855,103	(130,000)	2,725,103
Loan receivable	62,643	-	62,643
Other	1,013,078	-	1,013,078
	3,930,824	(130,000)	3,800,824
Cablevision activities:			
Cablevision	1,092,910	(117,000)	975,910
Other	62,667	-	62,667
	1,155,577	(117,000)	1,038,577
	$ 6,504,537	$ (252,000)	$ 6,252,537

The composition of amounts due from other governments as of June 30, 2009 for governmental funds is as follows:

Governmental Funds:		
General Fund:		
Commonwealth of Massachusetts:		
School Building Authority:		
School Building Assistance - Capital Portion	$ 33,795,431	
Executive Office of Public Safety and Homeland Security:		
Federal Emergency Management Agency	137,031	33,932,462
Nonmajor Governmental Funds:		
U. S. Department of Education		
School title grants	$ 169,310	
Commonwealth of Massachusetts:		
Executive Office of Public Safety and Homeland Security:		
Public safety grants	24,627	
Department of Environmental Protection:		
Water conservation grant	8,821	
Municipal assistance host grant	3,177	
Massachusetts Department of Elementary and Secondary Education:		
School grants	7,987	
Massachusetts Highway Department:		
Chapter 90 funded projects	1,275,166	1,489,088
		$ 35,421,550

The composition of amounts due from other governments as of June 30, 2009 for business-type activities is as follows:

Business Type Funds:	
Sewer Fund:	
Massachusetts Water Pollution Abatement Trust	$ 30,437

The composition of other receivables in the sewer fund as of June 30, 2009 is the current portion of sewer assessments.

The composition of other receivables in the electric light enterprise fund as of December 31, 2008 is as follows:

SELCO - Cable	$ 187,185
MMWEC	405,161
Due from town departments	220,355
December ice storm	195,360
Other	5,017
	$ 1,013,078

The composition of other receivables in the cablevision enterprise fund as of December 31, 2008 is as follows:

December ice storm	$	18,971
Other		43,696
	$	62,667

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 accounts receivable from MMWEC consists of money received in February of 2009 relating to Select Energy buyout credits.

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

On December 12, 2008, a severe ice storm hit New England. Damage in Shrewsbury reached levels that qualified for both state and federal disaster relief. In addition SELCO – Electric crews were deployed to assist the Towns of Holden and Paxton, Massachusetts. The December Ice Storm receivables represent SELCO – Electric's costs incurred during the storm and restoration period which are deemed reimbursable.

In the cablevision enterprise fund the other accounts receivable consists of money that SELCO – Cable is estimating that is recoverable from the Federal Emergency Management Agency (FEMA) for costs incurred during the December 12, 2008, ice storm that hit the Northeast. The balance also has monies owed to SELCO –Cable for advertising sales and pole rentals.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2009 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is $234,165.

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

General Fund:			
Deferred property taxes	$ 26,334		
Taxes in litigation	9,403		
Tax liens	424,486		
Excise taxes	250,928		
User charges	326,427		
Special assessments	216,771		
Due from other governments	33,795,431	$	35,049,780
Nonmajor Governmental Funds:			
Special assessments	120,123		
Due from other governments	1,275,166		1,395,289
		$	36,445,069

C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 14,619,065	$ 6,212	$ -	$ 14,625,277
Construction in progress	9,148,215	1,649,335	(10,181,610)	615,940
Total capital assets not being depreciated	23,767,280	1,655,547	(10,181,610)	15,241,217
Capital assets being depreciated:				
Buildings and Renovations	114,005,906	7,044,960	-	121,050,866
Machinery, equipment and other	5,953,783	298,699	(170,580)	6,081,902
Infrastructure	20,437,422	3,852,575	-	24,289,997
Total capital assets being depreciated	140,397,111	11,196,234	(170,580)	151,422,765
Less accumulated depreciation for:				
Buildings and Renovations	29,355,182	4,023,805	-	33,378,987
Machinery, equipment and other	4,229,093	501,669	(170,580)	4,560,182
Infrastructure	5,839,378	703,980	-	6,543,358
Total accumulated depreciation	39,423,653	5,229,454	(170,580)	44,482,527
Total capital assets being depreciated, net	100,973,458	5,966,780	-	106,940,238
Total governmental activities capital assets, net	$ 124,740,738	$ 7,622,327	$ (10,181,610)	$ 122,181,455

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

Governmental Activities:	
General government	$ 58,114
Public safety	400,696
Public works	906,780
Education	3,571,954
Health and human services	79,638
Culture and recreation	212,272
Total depreciation expense - governmental activities	$ 5,229,454

Sewer Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 810,930	$ 90,275	$ (824,650)	$ 76,555
Total capital assets not being depreciated	810,930	90,275	(824,650)	76,555
Capital assets being depreciated:				
Machinery, equipment and other	536,230	36,311	-	572,541
Infrastructure	14,714,643	824,650	-	15,539,293
Total capital assets being depreciated	15,250,873	860,961	-	16,111,834
Less accumulated deprecition for:				
Machinery, equipment and other	269,607	54,037	-	323,644
Infrastructure	6,204,560	323,643	-	6,528,203
Total accumulated depreciation	6,474,167	377,680	-	6,851,847
Total capital assets being depreciated, net	8,776,706	483,281	-	9,259,987
Total business-type activities capital assets, net	$ 9,587,636	$ 573,556	$ (824,650)	$ 9,336,542

Electric light activities
(as of December 31, 2008)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 94,063	$ 288,194	$ -	$ 382,257
Total capital assets not being depreciated	94,063	288,194	-	382,257
Capital assets being depreciated:				
Electric utility plant	47,597,683	1,476,155	(42,126)	49,031,712
Total capital assets being depreciated	47,597,683	1,476,155	(42,126)	49,031,712
Less accumulated deprecition for:				
Electric utility plant	24,159,658	1,423,752	(42,126)	25,541,284
Total accumulated depreciation	24,159,658	1,423,752	(42,126)	25,541,284
Total capital assets being depreciated, net	23,438,025	52,403	-	23,490,428
Total business-type activities capital assets, net	$ 23,532,088	$ 340,597	$ -	$ 23,872,685

Cablevision activities
(as of December 31, 2008)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 3,040	$ 34,413	$ -	$ 37,453
Total capital assets not being depreciated	3,040	34,413	-	37,453
Capital assets being depreciated:				
Plant investment	30,251,443	2,017,638	(48,346)	32,220,735
Total capital assets being depreciated	30,251,443	2,017,638	(48,346)	32,220,735
Less accumulated deprecition	15,668,019	1,784,029	(48,346)	17,403,702
Total capital assets being depreciated, net	14,583,424	233,609	-	14,817,033
Total business-type activities capital assets, net	$ 14,586,464	$ 268,022	$ -	$ 14,854,486

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

Business-Type Activities:	
Sewer enterprise fund	$ 377,680
Electric light enterprise fund	1,423,752
Cablevision enterprise fund	1,784,029
Total depreciation expense - business-type activities	$ 3,585,461

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

	Transfers In:			
Transfers Out:	General fund	Nonmajor governmental fund	Business-type funds	Total
General fund	$ -	$ 1,111,015	$ 746,488	$ 1,857,503
Nonmajor governmental funds	1,043,599	-	372,741	1,416,340
Business-type funds	689,198	-	-	689,198
Total transfers out	$ 1,732,797	$ 1,111,015	$ 1,119,229	$ 3,963,041

The remaining $27,541 amount shown on the Statement of Activities represents a transfer that occurred when the year end conversion occurred from a fiscal year June 30th end to a calendar year December 31st year end for the enterprise funds.

E. Short-Term Financing

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

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

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2009
Bond Anticipation Notes:						
Land acquistion	3.75%	11/21/08	$ 6,100,000	$ -	$ 6,100,000	$ -
Land acquistion	3.75%	11/20/09	-	6,100,000	-	6,100,000
			$ 6,100,000	$ 6,100,000	$ 6,100,000	$ 6,100,000

Details related to the short-term debt activity of the business-type funds (as of December 31, 2008) are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance January 1, 2008	Renewed/ Issued	Retired/ Redeemed	Outstanding December 31, 2008
Bond Anticipation Notes:						
Electric system improvement	3.75%	02/21/08	$ 1,000,000	$ -	$ 1,000,000	$ -

F. Long Term Debt

General Obligation Bonds

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

Governmental Funds

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Inside Debt:					
Land Acquisition - Conservation	4.74%	06/01/99	06/01/19	3,000,000	$ 1,450,000
Land Acquisition - High School	4.75%	06/01/99	06/01/19	2,400,000	1,200,000
High School Construction	4.46%	08/15/01	08/15/21	58,900,000	39,970,000
Land Acquisition - Conservation	4.35%	08/15/01	08/15/19	2,000,000	1,210,000
School Renovations - Middle School West	4.05%	11/15/04	11/15/24	7,400,000	5,920,000
School Addition - Parker Road Preschool	3.72%	11/15/04	11/15/19	1,250,000	910,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	514,850	348,700
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	4,520,750	3,036,650
Fire Facilities Renovations	3.44%	02/15/08	02/15/26	6,800,000	6,420,000
Total Inside Debt					60,465,350
Outside Debt:					
Massachusetts Water Pollution Abatement Trust:					
Septic - Title V	N/A	10/25/00	08/01/18	86,947	48,300
Septic - Title V	N/A	02/01/04	08/01/22	105,896	77,775
Septic - Title V	N/A	11/16/05	07/15/25	94,573	80,386
Water Tank	2.96%	02/15/08	02/15/18	1,250,000	1,125,000
Total Outside Debt					1,331,461
Total governmental type debt					$ 61,796,811

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

Governmental	Principal	Interest	Total
2010	$ 4,955,478	$ 2,748,425	$ 7,703,903
2011	4,950,128	2,530,736	7,480,864
2012	4,940,128	2,310,929	7,251,057
2013	4,904,963	2,093,459	6,998,422
2014	4,900,101	1,867,951	6,768,052
2015-2019	22,840,495	6,014,326	28,854,821
2020-2024	13,188,062	1,331,867	14,519,929
2025-2026	1,119,456	50,875	1,170,331
	$ 61,798,811	$ 18,948,568	$ 80,747,379

Sewer, Electric Light and Cablevision Enterprise Funds

Business-type debt

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Sewer activities:					
Inside Debt:					
Massachusetts Water Pollution Abatement Trust -					
Assebet River consortium	N/A	07/15/01	02/01/21	490,127	$ 217,059
Assebet River consortium	N/A	07/23/05	07/15/20	168,653	155,679
					372,738
Electric light activities: (as of December 31, 2008)					
Inside Debt:					
Building renovations	4.55%	02/01/05	02/01/10	309,400	150,650
Outside Debt:					
Installation of transformers	4.23%	08/15/01	08/15/17	1,760,000	990,000
Electric light plant upgrade	2.52%	02/15/08	02/15/13	1,000,000	1,000,000
					2,140,650
Cablevision activities: (as of December 31, 2008)					
Outside Debt:					
Plant	4.56%	06/01/99	06/01/14	5,300,000	2,105,000
Total Business-Type Funds					$ 4,618,388

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

Year	Principal	Interest	Total
2010	$ 27,941	$ 11,204	$ 39,145
2011	28,398	10,418	38,816
2012	29,065	9,647	38,712
2013	29,065	8,415	37,480
2014	29,065	7,508	36,573
2015-2019	161,418	23,485	184,903
2020-2021	67,786	1,649	69,435
	$ 372,738	$ 72,326	$ 445,064

Debt service requirements for principal and interest for the electric light enterprise fund as of June 30, 2009 are as follows: (The electric light enterprise bonds at June 30, 2009, reflect principal payments of $76,000 and $200,000 made on February 1, 2009 and February 15, 2009).

Year	Principal	Interest	Total
2010	$ 384,650	$ 72,989	$ 457,639
2011	310,000	59,250	369,250
2012	310,000	47,750	357,750
2013	310,000	36,250	346,250
2014	110,000	24,750	134,750
2015-2018	440,000	44,000	484,000
	$ 1,864,650	$ 284,989	$ 2,149,639

Debt service requirements for principal and interest for the cablevision enterprise fund as of June 30, 2009 are as follows: (The cablevision enterprise bonds at June 30, 2009, reflect a principal payment of $355,000 on June 1, 2009).

Year	Principal	Interest	Total
2010	$ 350,000	$ 82,775	$ 432,775
2011	350,000	66,675	416,675
2012	350,000	50,400	400,400
2013	350,000	33,775	383,775
2014	350,000	16,975	366,975
	$ 1,750,000	$ 250,600	$ 2,000,600

During the fiscal year ended June 30, 2009 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2008), the following changes occurred in long-term liabilities

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	$ 66,639,350	$ -	$ 5,049,000	61,590,350	$ 4,940,350
Massachusetts Water Pollution Abatement Trust	221,589	-	15,128	206,461	15,128
Compensated absences	1,292,788	75,200	23,163	1,344,825	449,405
OPEB obligation payable	-	5,196,332	-	5,196,332	-
Governmental activity Long-term liabilities	$ 68,153,727	$ 5,271,532	$ 5,087,291	$ 68,337,968	$ 5,404,883

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Business type activities:					
Sewer activities					
Bond Payable:					
Massachusetts Water Pollution Abatement Trust	$ 400,216	$ -	$ 27,478	$ 372,738	$ 27,941
Compensated absences	9,375	2,582	-	11,957	2,990
OPEB obligation payable	-	16,688	-	16,688	-
Total sewer activities long term liabilities	409,591	19,270	27,478	401,383	30,931
Electric light activities:					
(as of December 31, 2008)					
Bond Payable:					
General obligation bonds	1,328,150	1,000,000	187,500	2,140,650	386,000
Cablevision activities:					
(as of December 31, 2008)					
Bond Payable:					
General obligation bonds	2,460,000	-	355,000	2,105,000	355,000
Total business type activities	$ 4,197,741	$ 1,019,270	$ 569,978	$ 4,647,033	$ 771,931

Massachusetts Water Pollution Abatement Trust

The Town has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust). The Town currently has five loans as follows:

-a gross obligation of $128,234 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of $41,287 resulting in a net loan repayment of $86,947.

-a gross obligation of $768,508 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of $320,919 resulting in a net loan repayment of $447,589.

-a gross obligation of $155,178 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of $49,282 resulting in a net loan repayment of $105,896.

-a gross obligation of $94,573 representing the gross principal repayment amounts.

-a gross obligation of $168,653 representing the gross principal repayment amounts.

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

No. 97-1055	**Principal**	**Interest**	**Total**	**Less: Loan Subsidy Amount**	**Net Loan Repayments**
Initial Loan Obligation	$ 86,947	$ 41,287	$ 128,234	$ 41,287	$ 86,947
Repayments:					
Fiscal Year 2001	-	1,032	1,032	1,032	-
Fiscal Year 2002	4,831	3,774	8,605	3,774	4,831
Fiscal Year 2003	4,831	3,580	8,411	3,580	4,831
Fiscal Year 2004	4,831	3,387	8,218	3,387	4,831
Fiscal Year 2005	4,831	3,194	8,025	3,194	4,831
Fiscal Year 2006	4,830	3,001	7,831	3,001	4,830
Fiscal Year 2007	4,831	2,783	7,614	2,783	4,831
Fiscal Year 2008	4,831	2,542	7,373	2,542	4,831
Fiscal Year 2009	4,831	2,318	7,149	2,318	4,831
	$ 48,300	$ 15,676	$ 63,976	$ 15,676	$ 48,300

No. 00-24

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	$ 490,127	$ 278,381	$ 768,508	$ 320,919	$ 447,589
Loan Restructure	(165,987)	(89,932)	(255,919)	(104,517)	(151,402)
	324,140	188,449	512,589	216,402	296,187
Repayments:					
Fiscal Year 2002	3,939	12,011	15,950	8,711	7,239
Fiscal Year 2003	20,355	23,195	43,550	21,245	22,305
Fiscal Year 2004	13,235	18,561	31,796	15,461	16,335
Fiscal Year 2005	13,403	12,901	26,304	12,465	13,839
Fiscal Year 2006	13,622	12,945	26,567	12,411	14,156
Fiscal Year 2007	13,880	12,740	26,620	12,266	14,354
Fiscal Year 2008	14,143	12,160	26,303	11,933	14,370
Fiscal Year 2009	14,504	11,610	26,114	11,613	14,501
	$ 217,059	$ 72,326	$ 289,385	$ 110,297	$ 179,088

No. 97-1055-1

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	$ 105,896	$ 49,282	$ 155,178	$ 49,282	$ 105,896
Repayments:					
Fiscal Year 2005	5,849	4,640	10,489	4,640	5,849
Fiscal Year 2006	5,568	4,557	10,125	4,557	5,568
Fiscal Year 2007	5,568	4,390	9,958	4,390	5,568
Fiscal Year 2008	5,568	4,223	9,791	4,223	5,568
Fiscal Year 2009	5,568	4,028	9,596	4,028	5,568
	$ 77,775	$ 27,444	$ 105,219	$ 27,444	$ 77,775

No. 97-1055-2

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	$ 94,573	$ -	$ 94,573	$ -	$ 94,573
Repayments:					
Fiscal Year 2007	4,729	-	4,729	-	4,729
Fiscal Year 2008	4,729	-	4,729	-	4,729
Fiscal Year 2009	4,729	-	4,729	-	4,729
	$ 80,386	$ -	$ 80,386	$ -	$ 80,386

No. CW-00-24-A	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	$ 168,653	$ -	$ 168,653	$ -	$ 168,653
Repayments:					
Fiscal Year 2009	12,974	-	12,974	-	12,974
	$ 155,679	$ -	$ 155,679	$ -	$ 155,679

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, 2009 totaled $60,912.738.

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, 2009:

Equalized Valuation-Real Estate and Personal Property (2008)		$ 5,422,224,900
Debt Limit: 5 % of Equalized value		$ 271,111,245
Total Debt Outstanding		
General Debt:	$ 61,796,811	
Less: Debt Outside Debt Limit	1,331,461	$ 60,465,350
Business-type Debt:	$ 3,987,388	
Less: Debt Outside Debt Limit	3,540,000	447,388
Total Inside Debt		$ 60,912,738
Inside Debt Excess Borrowing Capacity at June 30, 2009		$ 210,198,507

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as permanent long term debt of June 30, 2009 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting	Purpose	Amount
09/09/02	Acquire land and buildings to the north of Hartford Turnpike also known as Route 20 and the Westerly side of South Street containing approximately 49 acres	$ 6,100,000
05/17/06	Water system improvements along Old Mill Road, Harrington Avenue, Route 9 and Maple	1,750,000
05/18/09	Sherwood Middle School feasability study and all design/ project expenses	600,000
		$ 8,450,000

G. 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, 2009, $641,497 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

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. Town Meeting – Fiscal Year 2010

Designated for Subsequent Years' Expenditures - 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, 2009 do not reflect the fiscal year 2010 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years'

Expenditures as disclosed below. The Annual Town Meeting on May 18, 2009 authorized a fiscal year 2010 operating and capital budget as follows:

From the tax levy		$ 82,982,409
From sewer fund		3,313,131
From electric light fund		608,024
From community cablevision fund		1,059,082
From sewer construction articles		452,417
From solid waste fund		804,000
From water systems improvement fund		600,000
From Other Available Funds:		
(Designated for Subsequent Years' Expenditures)		
General fund:		
Undesignated Fund Balance:		
(Free cash)	$ 850,000	
(Continuing appropriations)	511,608	1,361,608
Stabilization fund		496,000
Nonmajor governmental funds:		
Cemetery sale of lots	$ 18,000	
Septic loan repayment fund	15,128	
Interest on school borrowing	500,000	
Gifts	200,000	733,128
		$ 92,409,799

C. 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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

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 Agreeement

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

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

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

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W. F. Wyman Unit No. 4 plant, owned and operated by FPL Energy Wyman IV LLC, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (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 FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for Seabrook station extends to March 2030. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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

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

As of December 31, 2008, total capital expenditures for MMWEC's projects amounted to $1,551,793,000, of which $73,831,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling $570,245,000, of which $28,489,000 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, 2008, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is $663,144,000, of which $33,186,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of SELCO Electric's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2008, and estimated for future years is shown below.

For years ended December 31, 2009	$ 4,450,000
2010	4,078,000
2011	4,040,000
2012	4,033,000
2013	3,935,000
2014 to 2018	12,412,000
2019	238,000
	$ 33,186,000

In addition under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSA's were $9,459,000 and $9,460,000 for the years ended December 31, 2008 and 2007, respectively.

Cablevision Enterprise Fund – Commitments and Contingencies

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2014.

The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2008:

For years ending December 31, 2009	$ 4,595,625
2010	2,546,993
2011	2,011,806
2012	1,383,167
2013	1,227,533
2014	1,280,241
	$ 13,045,365

Signal purchase expense under these contracts was $4,486,112 and $3,933,804 in 2008 and 2007, respectively.

D. Other Post Employment Benefits Payable

GASB Statement No. 45

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

Plan Description

-The Town provides the following plan types, Blue Cross Blue Shield EPO, Fallon Senior Plan, Fallon Directcare, Fallon Selectcare, Harvard Pilgrim Senior, Harvard Pilgrim EPO, Harvard Pilgrim PPO, Blue Cross Blue Shield Managed Blue, Medicare HMO Blue, Medex 3, Network Blue New England, Tufts EPO, Tufts Medicare Complement.

-Employees pay various percentages of premiums in retirement.

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 2009 fiscal year, the Town premiums plus implicit costs for the retiree medical program are $5,213,020 consisting of $5,196,332 for the governmental activities and $16,688 for the business-type activities.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC

represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	$ 6,699,898	$ 21,451	$ 6,721,349
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost (expense)	6,699,898	21,451	6,721,349
Contributions made during the fiscal year	1,503,566	4,763	1,508,329
Increase in net OPEB obligation	5,196,332	16,688	5,213,020
Net OPEB Obligation - beginning of year	-	-	-
Net OPEB Obligation - end of year	$ 5,196,332	$ 16,688	$ 5,213,020

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/07	N/A	N/A	N/A
06/30/08	N/A	N/A	N/A
06/30/09	6,721,349	22.4%	5,213,020

Funded Status and Funding Process

As of July 1, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was $85,122,209 and the actuarial value of assets was $0.0 million, resulting in a total unfunded actuarial accrued liability (UAAL) of $85,122,209. The covered payroll (annual payroll of active employees covered by the plan) was $58,999,672, and the ratio of the UAAL to the covered payroll was 144.3%.

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

Actuarial Methods and Assumptions

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

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

Year	Inflation Rate
FY 2009	8.5%
FY 2010	8.0%
FY 2011	7.5%
FY 2012	7.0%
FY 2013	6.5%
FY 2014	6.0%
FY 2015	5.5%
FY 2016 & After	5.0%

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

E. Pension Plan

Plan Description

The Town, as a member of the Shrewsbury Contributory Retirement System participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Shrewsbury Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately $6,620,801 for the fiscal year ending June 30, 2009, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2008 is as follows

Active Members	567
Inactive Members	83
Retired Members, Beneficiaries and Survivors	161
	811

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

Funding Policy

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

The Town's contribution to the System for the fiscal years ended June 30, 2009, 2008 and 2007 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2009	$ 3,063,067
2008	2,957,060
2007	2,233,389

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

Schedule of Funding Progress
(Dollar amounts in thousands)

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

The last actuarial valuation was prepared by Buck Consultants as of January 1, 2008. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% compounded annually and (b) projected salary, including longevity, increases of 5.5% per year per member.

The unfunded actuarial liability for the system is $19,591,281.

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.

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, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Special Revenue:					
Federal and State Grants:					
School Grants	$ 159,957	$ 4,045,188	$ 4,027,530	$ -	$ 177,615
Arts Lottery Council Grant	9,517	7,998	4,634	-	12,881
Elderly Programs	9,510	36,568	35,955	-	10,123
Extended Polling Hours	1	8,436	8,437	-	-
Health Tobacco Control Program	2,149	-	2,000	-	149
Highway Grants	-	557,720	557,720	-	-
Lakes and Ponds Grants	40,936	-	23,942	-	16,994
Library Grants	217,769	54,099	49,281	-	222,587
Municipal Assistance Host Grant	-	61,447	61,447	-	-
Public Safety Grants	41,865	114,562	136,684	-	19,743
Technical Assistance Grants	114,465	-	74,640	-	39,825
United States Postal Service Projects	4,378	-	-	(4,378)	-
Water Conservation Grant	(852)	14,890	12,697	-	1,341
Schools:					
School Lunch Program	126,185	1,969,256	1,993,759	-	101,682
School Lunch Commodities	-	85,959	85,959	-	-
Revolving Accounts	2,047,673	2,797,424	2,784,566	-	2,060,531
State Special Education Reimbursement Fund	378,018	1,874,145	1,436,579	-	815,584
Other:					
Arts Scholarship Revolving	564	-	-	-	564
Council on Aging Van Revolving	37,368	24,632	14,766	-	47,234
Coal Ash Reserve	397,911	(5,674)	-	(392,237)	-
Composting Revolving	3,759	2,808	6,567	-	-
Donahue Rowing Center Revolving	7,422	103,590	79,794	(23,998)	7,220
Filing Fees	228,335	81,429	78,514	(2,329)	228,921
Gifts and Donations	732,626	274,784	227,611	(200,000)	579,799
Infiltration and Inflow	573,294	53,240	-	-	626,534
Insurance Reimbursements	603,019	5,398	4,582	(4,423)	599,412
Interest on School Borrowing	1,164,480	30,819	-	(500,000)	695,299
Law Enforcement Fund	26,404	18,190	13,141	-	31,453
Parks and Recreation Revolving	300,257	336,936	344,700	-	292,493
Police Off Duty Revolving	14,168	374,335	365,019	-	23,484
Police Task Force Reimbursement	(642)	1,572	1,135	-	(205)
Pump Grinder Program	14,925	8,800	12,735	-	10,990
Recycling Revolving	6,031	10,610	16,641	-	-
Total Special Revenue Page 69	$ 7,261,492	$ 12,949,161	$ 12,461,035	$ (1,127,365)	$ 6,622,253

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Continued from Page 69	$ 7,261,492	$ 12,949,161	$ 12,461,035	$ (1,127,365)	$ 6,622,253
Special Revenue (continued):					
Other (continued):					
Regional Drug Seizure	10,311	-	10,311	-	-
Sale of Cemetery Lots	28,873	18,432	-	(19,000)	28,305
Septic Loan Program	10,743	-	-	-	10,743
Septic Loan Repayment Fund	123,047	43,415	-	(15,128)	151,334
Special Needs Recreation Fund	18,507	15,506	23,566	-	10,447
Surety Defaults	104,036	-	1,500	-	102,536
Traffic and Sewer Improvement Engineering	27,671	-	-	(27,671)	-
Cemetery Stabilization Fund	-	12,543	-	1,000	13,543
Rowing Center Fund	384,952	11,570	-	23,998	420,520
Workers Compensation Fund	42,048	-	-	-	42,048
Total Special Revenue Funds	8,011,680	13,050,627	12,496,412	(1,164,166)	7,401,729
Capital Projects:					
New Fire Department Headquarters	468,342	-	398,475	-	69,867
Lakeway State Grant	249,241	-	-	-	249,241
Land Acquisition Bonds	197,176	-	-	(197,176)	-
Middle School West	166,097	-	18,875	-	147,222
Public Works Projects	87,777	96,091	157,273	-	26,595
School Construction	155,543	-	31,117	-	124,426
Senior Center	15,628	-	-	-	15,628
Water Projects	1,314,275	-	269,981	1,075,000	2,119,294
Total Capital Projects	2,654,079	96,091	875,721	877,824	2,752,273
Permanent Funds:					
Cemetery Funds	1,129,823	63,930	34,105	(18,983)	1,140,665
Library Funds	653,201	19,313	20,025	-	652,489
Total Permanent Funds	1,783,024	83,243	54,130	(18,983)	1,793,154
Total - Non-Major Governmental Funds	$ 12,448,783	$ 13,229,961	$ 13,426,263	$ (305,325)	$ 11,947,156

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Taxes July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2009	Uncollected Taxes Per Detail June 30, 2009
Real Estate Taxes:						
Levy of 2009	$ -	$ 46,865,770	$ 491,840	$ 46,007,576	$ 366,354	$ 366,354
Levy of 2008	606,040	-	148,772	448,472	8,796	8,796
Levy of 2007	13,027	-	6,340	1,845	4,842	4,842
Levy of 2006	(670)	-	-	792	(1,462)	(1,462)
Levy of 2005	(1,015)	-	-	-	(1,015)	(1,015)
Prior Years	837	-	-	-	837	837
	618,219	46,865,770	646,952	46,458,685	378,352	378,352
Personal Property Taxes:						
Levy of 2009	-	534,180	966	531,395	1,819	1,819
Levy of 2008	17,761	-	641	3,670	13,450	13,450
Levy of 2007	19,148	-	479	-	18,669	18,669
Levy of 2006	19,586	-	-	-	19,586	19,591
Levy of 2005	19,823	-	-	-	19,823	19,677
Prior Years	36,177	-	-	(37)	36,214	36,101
	112,495	534,180	2,086	535,028	109,561	109,307
Supplemental Taxes	11,950	6,837	2,073	16,603	111	111
Total Real Estate, Personal Property, and Supplemental Taxes	$ 742,664	$ 47,406,787	$ 651,111	$ 47,010,316	$ 488,024	$ 487,770
Deferred Property Taxes	$ 23,868	$ 2,466	$ -	$ -	$ 26,334	$ 26,334

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Taxes July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2009	Uncollected Taxes Per Detail June 30, 2009
Motor Vehicle Excise Taxes:						
Levy of 2009	$ -	$ 3,821,667	$ 102,148	$ 3,600,940	$ 118,579	$ 131,287
Levy of 2008	198,726	611,300	49,862	702,718	57,446	58,027
Levy of 2007	60,938	26,296	12,683	36,936	37,615	37,615
Levy of 2006	38,335	1,005	1,414	4,407	33,519	33,519
Levy of 2005	26,126	494	-	2,036	24,584	24,584
Prior Years	290,810	679	39	2,765	288,685	288,685
Total Motor Vehicle Excise Taxes	$ 614,935	$ 4,461,441	$ 166,146	$ 4,349,802	$ 560,428	$ 573,717

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Accounts July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2009	Uncollected Accounts Per Detail June 30, 2009
Tax Liens	$ 304,703	$ 350,947	$ 7,105	$ 204,662	$ 443,883	$ 447,147
Taxes in Litigation	$ 30,539	$ 3,380	$ 3,733	$ 18,399	$ 11,787	$ 11,787

TOWN OF SHREWSBURY, MASSACHUSETTS

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2009

TOWN OF SHREWSBURY, MASSACHUSETTS

Management Letter

Year Ended June 30, 2009

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
413.665.4001 (t) 413.665.0593 (f) www.scanlonhaynes.com

To the Board of Selectmen
Town of Shrewsbury
Shrewsbury, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Shrewsbury as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Shrewsbury's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and recommendations concerning those matters. This letter does not affect our report dated February 19, 2010, on the basic financial statements.

The accompanying comments and recommendations are intended solely for the information and use of management, the Board of Selectmen and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next engagement. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

Scanlon & Associates, LLC
February 19, 2010

CURRENT YEAR COMMENTS AND RECOMMENDATIONS:

Preparation of Schedule of Federal Awards

Comment:
In fiscal year 2009 the Town was required to have an audit in accordance with the Single Audit Act and OMB Circular A-133. A single audit is required when a City or Town expends $500,000 or more in a fiscal year from all of their federal awards combined. The Town is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA) each year in accordance with the Single Audit Act and OMB Circular A-133. The SEFA is required to list the amounts of all federal funds expended by the Town and indicate whether it was a direct award or a pass-through award, the pass-through entity, the Catalog of Federal Domestic Assistance Number (CFDA) and the program title. By accurately preparing the SEFA, the town will be able to determine if a Single Audit is required.

The Federal government has instituted new grant programs (i.e. American Recovery and Reinvestment Act) as a result of the recent financial crisis. The increase in the availability and use of Federal funds also increases the responsibility of the grantee to comply with applicable grant requirements. The accurate completion of the SEFA is of critical importance in regards to Federal reporting requirements. The failure to properly prepare a SEFA could lead to a compliance finding and a potential loss of future grant funding.

We recommend that the town review the requirements and procedures applicable to the preparation of the Schedule of Expenditures of Federal Awards.

PRIOR YEAR FINDINGS – NOT RECTIFIED:

U.S. Department of Education Grants Compliance

Prior Comment:
OMB Circular A-87 Attachment B, paragraph 8.h.(3) states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

OMB Circular A-87 Attachment B, paragraph 8.h.(4) states, "When employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation..." The personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly, must coincide with one or more pay periods, and must be signed by the employee and countersigned by an administrator or supervisor.

In fiscal year 2008, the Shrewsbury School Department did not require employees whose salaries were paid from any Federal grant, either in whole or in part, to make any such certifications. The current grant administrators are aware of the requirement for certification of time and effort for employees paid from Federal grants and will implement new procedures in fiscal year 2009 to rectify the finding.

See our separate single audit report for more details of the finding.

Status:
In Fiscal year 2009 the finding has been partially rectified. For the Title I grant, the School Department is currently obtaining time and effort certifications each month from employees who are paid partially from the grant and semi-annually from employees who are paid entirely from the grant. The School Department does not obtain time and effort certifications from employees paid from any other Federal grants.

Documentation of Reconciling Items

Prior Comment:
With the implementation of the new auditing standard, documentation is necessary to insure good internal control over adjustments that are made to the financial statements.

During our audit we noted that the documentation on reconciling items between the general ledger and various source documents was lacking. In order to have a strong internal control system, the Town needs to have detailed documentation to substantiate adjustments made to the financial statements.

It is recommended that the Town insure documentation is kept on all reconciling and adjusting entries and maintained for review.

Status:
The Town did improve the situation. However, we feel further improvement can be made on documentation of reconciling items. We have communicated these areas where improvement can be made to personnel at time of fieldwork and believe this situation will be corrected in fiscal year 2010.

Accounting/Financial Policies and Procedures Manual

Prior Comment:
The Town does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this document is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the Town's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the Town's internal control system and can help to avoid the circumvention of Town policies.

We recommend the Town finance team develop and document the accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the Board of Selectmen to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support controls.

Status:
The condition remains the same. However, management is aware of the situation and is having discussions on developing such a manual.

Risk Assessment and Monitoring

Prior Comment:
When internal controls are initially implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and service, can add risks that previously did not exist. As a result, all municipalities should periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. The Town, like most Massachusetts municipal organizations, does not adequately perform this assessment.

The fraud risk assessment can be formal or informal, and should be performed by a management-level employee who has extensive knowledge of the Town's operations. Ordinarily, the management-level employee would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town's operations, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the assessment, the following questions should be considered.

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriations of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?

Once the areas vulnerable to fraud have been identified, a review of the Town's systems, procedures, and existing controls related to these areas should be conducted. The Town should consider what additional controls (if any) need to be implemented to reduce the risk.

After the risk has been assessed and controls implemented the town should periodically monitor these controls to evaluate the operational effectiveness.

Status:
In fiscal year 2009 the condition remains the same. However, management is taking our recommendation under advisement.

TOWN OF SHREWSBURY, MASSACHUSETTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND INDEPENDENT AUDITORS' REPORTS REQUIRED UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996

FOR THE YEAR ENDED JUNE 30, 2009

TOWN OF SHREWSBURY, MASSACHUSETTS
SINGLE AUDIT
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CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield MA 01373
413.665.4001 (t) 413.665.0593 (f) www.scanlonhaynes.com

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

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Shrewsbury, Massachusetts, as of and for the fiscal year ended June 30, 2009, (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, 2008), which collectively comprise the Town of Shrewsbury, Massachusetts's basic financial statements and have issued our report thereon dated February 19, 2010. Our report was modified to include a reference to 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, as described in our report on the Town of Shrewsbury, Massachusetts's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Shrewsbury, Massachusetts's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shrewsbury's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Shrewsbury's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Shrewsbury, Massachusetts's ability to initiate, authorize, record, process, or report

financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Shrewsbury, Massachusetts's financial statements that is more than inconsequential will not be prevented or detected by the Town of Shrewsbury's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Shrewsbury's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the Town of Shrewsbury, Massachusetts, in a separate letter dated February 19, 2010.

This report is intended solely for the information and use of the Town of Shrewsbury, Massachusetts's Board of Selectmen, management, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts
February 19, 2010

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Food Distribution-School Lunch Commodities	14-271	10.550	$ 85,959
School Breakfast Program	14-271	10.553	5,703
National School Lunch Program	14-271	10.555	319,505
Total U. S. Department of Agriculture			411,167
U. S. Department of Justice			
Direct Programs:			
Office of Community Oriented Policing Services			
Community Policing to Combat Domestic Violence		16.710	142
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
Juvenile Justice and Delinquency Prevention		16.540	654
Violence Against Women		16.588	100
Total U. S. Department of Justice			896
U. S. Department of Transportation			
Passed Through Commonwealth of Massachusetts Highway Department:			
Highway Planning and Construction - Utility Agreement No. 53568	53568	20.205	6,337
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
State and Community Highway Safety			
Highway Safety		20.600	7,833
Underage Alcohol Enforcement		20.600	9,691
Total U. S. Department of Transportation			23,861
National Endowment for the Arts			
Passed Through Arts Midwest:			
Promotion of the Arts Grants to Organizations - The Big Read		45.024	2,465
Total National Endowment for the Arts			2,465
Institute for Museum and Library Services			
Passed Through Commonwealth of Massachusetts			
Board of Library Commissioners:			
Library Services and Technology Act - Serving Teens and Tweens		45.310	10,306
Total Institute for Museum and Library Services			10,306
U. S. Environmental Protection Agency			
Passed Through Commonwealth of Massachusetts			
Executive Office of Energy and Environmental Affairs			
Department of Environmental Protection:			
Water Conservation Competitive Grant Program	07-18/WCG	66.474	12,697
Total U. S. Environmental Protection Agency			12,697
TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 2			$ 461,392

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

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I - 2008	305-012-8-0271-I	84.010	$ 20,268
Title I - 2009	305-086-9-0217-J	84.010	220,184
Title I - 2009	305-367-9-0271-J	84.010	28,318
Special Education PL 94-142 Allocation - 2008	240-043-8-0271-I	84.027	156,133
Special Education PL 94-142 Allocation - 2009	240-207-9-0271-J	84.027	1,268,379
Special Education Program Improvement - 2008	274-173-8-0271-I	84.027	16,545
Special Education Program Improvement - 2009	274-241-9-0271-J	84.027	17,131
Special Assistance and Mentoring - 2008	256-040-8-0271-I	84.027	4,521
Drug Free Schools - 2009	331-043-9-0271-J	84.186	18,691
Title V - 2008	302-200-8-0271-I	84.298	3,300
Enhanced Education Through Technology - 2008	160-054-8-0271-I	84.318	965
Enhanced Education Through Technology - 2009	160-174-9-0271-J	84.318	3,381
LEP Support - 2008	180-061-8-0271-I	84.365	3,663
LEP Support - 2009	180-023-9-0271-J	84.365	20,421
Teacher Quality - 2008	140-037-8-0271-I	84.367	26,841
Teacher Quality - 2009	140-303-9-0271-J	84.367	72,862
Emergency Recovery Program - ARRA - 2009	782-172-9-0271-J	84.394	1,984,114
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Early Childhood Allocation - 2009	EEC-262	84.173	32,793
Total U. S. Department of Education			3,898,510
U. S. Department of Health and Human Services:			
Passed Through Central Massachusetts Agency on Aging:			
Title III-D - Medication Management		93.043	500
Total U. S. Department of Health and Human Services			500
Corporation for National and Community Service			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Learn & Serve School Based - 2008	354-035-8-0271-I	94.004	641
Total Corporation for National and Community Service			641
U. S. Department of Homeland Security			
Passed Through Commonwealth of Massachusetts			
Emergency Management Agency:			
Disaster Assistance - December 2008 Ice Storm	FEMA-DR-1813-MA	97.036	582,366
Total U. S. Department of Homeland Security			582,366
TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 2			4,482,017
TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 2			461,392
TOTAL FEDERAL AWARDS EXPENDED			$ 4,943,409

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Shrewsbury, Massachusetts, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

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

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CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield MA 01373
413.665.4001 (t) 413.665.0593 (f) www.scanlonhaynes.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

Compliance

We have audited the compliance of the Town of Shrewsbury, Massachusetts, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of Shrewsbury, Massachusetts's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Shrewsbury, Massachusetts's management. Our responsibility is to express an opinion on the Town of Shrewsbury, Massachusetts's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Shrewsbury, Massachusetts's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Shrewsbury, Massachusetts's compliance with those requirements.

As described in item 2009-1 in the accompanying schedule of findings and questioned costs, the Town of Shrewsbury, Massachusetts did not comply with the requirements regarding allowable costs/cost principles that are applicable to its Special Education Grants. Compliance with such requirements is necessary, in our opinion, for the Town of Shrewsbury, Massachusetts, to comply with the requirements applicable to this program.

In our opinion, except for noncompliance described in the preceding paragraph, the Town of Shrewsbury, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of Shrewsbury, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Shrewsbury, Massachusetts's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Shrewsbury, Massachusetts's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in item 2009-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Shrewsbury, Massachusetts, as of and for the fiscal year ended June 30, 2009, (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, 2008), and have issued our report thereon dated February 19, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Shrewsbury, Massachusetts's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the Town of Shrewsbury, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town of Shrewsbury, Massachusetts's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Shrewsbury, Massachusetts's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Selectmen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts
February 19, 2010

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified for all major programs except for Special Education Grants to States, which is qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

CFDA Number	Name of Federal Program
84.010	U. S. Department of Education - Title I
84.027	U. S. Department of Education - Special Education Grants to States
84.173	U. S. Department of Education - Special Education Preschool Grants
84.394	U. S. Department of Education - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
97.036	U. S. Department of Homeland Security - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings noted.

Section III - Federal Award Findings and Questioned Costs

Material Weakness in Internal Control Over Compliance is summarized as Finding number 2009-1 on page 10.

TOWN OF SHREWSBURY, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Finding 2008-1: Material Weakness in Internal Control Over Compliance – Allowable Costs/Cost Principles – U. S. Department of Education Grants – Required Time and Effort Certifications

Prior Year Comment:
The finding cited the School Department for not obtaining time and effort certifications for employees paid from Federal grants.

Status:
The finding has been partially rectified.

For the Title I grant, the School Department is currently obtaining time and effort certifications each month from employees who are paid partially from the grant and semi-annually from employees who are paid entirely from the grant.

The School Department does not obtain time and effort certifications from employees paid from any other Federal grants.

This finding is repeated as current finding 2009-1.

Finding 2009-1
Material Weakness in Internal Control Over Compliance – Allowable Costs/Cost Principles – U. S. Department of Education Grants

Criteria:
OMB Circular A-87 Attachment B, paragraph 8.h.(3) states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

OMB Circular A-87 Attachment B, paragraph 8.h.(4) states, "When employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation..." The personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly, must coincide with one or more pay periods, and must be signed by the employee and countersigned by an administrator or supervisor.

Condition:
In Fiscal Year 2009, the Shrewsbury School Department obtained time and effort certifications from employees paid from the Title I grant. The School Department did not require employees whose salaries were paid from any other Federal grants, either in whole or in part, to make any such certifications.

Perspective Information:
This condition was noted in the prior year's audit report. The School Department had not obtained time and effort certifications from employees paid from any Federal grant. During Fiscal Year 2009, the School Department implemented the use of time and effort certifications for Title I employees but did not implement them for any other Federal grants.

Effect:
Some employees' salaries may be inappropriately charged to Federal programs.

Recommendation:
The School Department should immediately implement the use of the required semi-annual or monthly certifications for all employees paid from all Federal grant programs.

Management's Response:
The Shrewsbury Public Schools obtained time and effort certifications in FY 2009 as noted above. We are taking immediate action to obtain the same certifications for Grants 240 (Special Education 94-142 Allocation), 262 (Special Education Early Childhood Allocation) and 331 (Drug Free Schools). Procedures will be provided to employees impacted by the requirements set forth by the OMB Circular A-87 Attachment B, paragraph 8.h.