

TOWN OF SHREWSBURY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the year ended June 30, 2011 except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which are as of and for the year ended December 31, 2010, which collectively comprise the Town of Shrewsbury, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shrewsbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric, which represents 52% of the assets, 47% of the net assets and 62% of the revenues of the proprietary fund types and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represents 23% of the assets, 23% of the net assets and 27% of the revenues of the proprietary fund types. These financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2011, (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable which are as of and for the year ended December 31, 2010),

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of the Town of Shrewsbury, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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


Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Shrewsbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

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

Overview of the Financial Statements

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

other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

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

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

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

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

Statement of Net Assets Highlights

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

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

Financial Highlights

Statement of Activities Highlights

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

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

Government-wide Financial Analysis

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

Net assets of \$134,870,303 (76%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

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

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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,615,018 a decrease of \$2,560,946 (13%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

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

Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Major Proprietary Funds

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

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

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

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

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

The *Cable Operations Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2010 shows an increase of \$479,687, attributed to operating revenue exceeding operating expenses of \$1,138,167, interest expense of \$37,663, other income of \$5,490 and transfers to the general fund of \$626,307.

General Fund Budgetary Highlights

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

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

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

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

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

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011, (December 31, 2010 for the electric light fund and the cable operations fund) amounts to \$126,435,366 and \$45,818,239, respectively.

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

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

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

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

In the sewer fund:

- Pump station improvements for \$45,980.

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

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

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

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

Next Year's Annual Town Meeting

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2011

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

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2011

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

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

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

**Business-Type Activities
Enterprise Funds**

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

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

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

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

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

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

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

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

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

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

Operating Income (Loss)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:
 Depreciation
 Non-cash loss on disposal of assets
 Non-cash advance bond refunding
 Change in Assets and Liabilities:
 Increase (Decrease) in Accounts Payable
 Increase (Decrease) in Accrued Payroll
 Increase (Decrease) in Deferred Revenue
 Increase (Decrease) in Compensated Absences
 Increase (Decrease) in OPEB Obligation Payable
 Decrease (Increase) in Materials and Supplies
 Decrease (Increase) in Prepaid Expenses
 Decrease (Increase) in Other Accounts Receivable
 Decrease (Increase) in Customer Accounts Receivable

Total Adjustments
Net Cash Provided by (Used for) Operating Activities

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

The Shrewsbury Housing Authority is a public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under

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

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

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

B. Implementation of New Accounting Principle

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

C. Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

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

Major Fund Criteria

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

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

and

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

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

Fiduciary funds are reported by fund type.

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

Government-wide financial statements

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

Fund financial statements

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Cash and Cash Equivalents

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

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

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

Investment income from proprietary funds is maintained in those funds.

F. Investments

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

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

All investments are carried at fair value.

G. Receivables

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

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

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

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

Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2011 on June 28, 2010, that were due on August 2, 2010 and November 1, 2010 and actual bills on December 31, 2010 that were due on February 1, 2011 and May 2, 2011.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2011 is \$50,108,533 consisting of a base of \$47,484,083 and a debt exclusion of \$2,624,450. The total amount raised by taxation was \$50,078,448.

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

Excise Taxes

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

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

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

User Charges

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

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

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

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

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

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

Special Assessments

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

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

Due from Other Governments

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

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

H. Materials and Supplies

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

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

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

I. Prepaid Expenses

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

J. Capital Assets

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

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

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

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

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

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

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

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

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

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

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

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

K. Restricted Cash and Cash Equivalents

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

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

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

L. Interfund Transfers

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

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

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

M. Deferred Revenue

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

N. Net Assets and Fund Balances

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

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

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

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

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

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

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

O. Long-term Debt

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

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

P. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. For Town employees, individuals are provided for a maximum of 20 days of accumulated sick leave. To be eligible, the individual must have accumulated a minimum of 150 days of sick leave and have twenty or more years of

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continuous service to the Town. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

Q. Post Retirement Benefits

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

R. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

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

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

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

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

B. Deficit Fund Balances

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

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

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

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – Town’s Financials

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

Custodial Credit Risks – Deposits – Shrewsbury Contributory Retirement System

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

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

Investment Policies – Town Financials

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

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

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

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

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$60,422,627 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town's exposure to credit risk as of June 30, 2011 is as follows:

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

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Company, Federal Home Loan Bank

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

Investment Policies – Shrewsbury Contributory Retirement System

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

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

- Fixed income investments shall be permitted in obligations of the United States or obligations guaranteed as to principal and interest by the Government of the United States, agency securities, corporate bonds (Yankees and bond-like convertibles), municipal bonds, mortgage-back securities (MBS, CMBS and CMO's), and asset-backed securities.
- Fixed income investments shall be permitted in bonds issued by the State of Israel.
- Fixed income investments shall have a minimum quality rating of Baa/BBB as rated by one or more recognized bond rating service at the time of purchase. Fixed income investments that are downgraded below Baa/BBB shall be liquidated within a reasonable period of time determined by the manager so as not to be detrimental to the plan. If the manager determines it prudent to hold an investment that has been downgraded below Baa/BBB, they will be required to report at least monthly the status of said bond and reasons for holding said bond.
- No more than five percent of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and guaranteed by the United States Government, or its agencies, which may be held without limitations.
- For the purposes of these guidelines, convertible bonds and convertible preferred stocks shall be considered fixed income investments.
- Miscellaneous provisions:
 - Use of swaps, primes, scores or other similar products are prohibited.
 - Use of margin buying is prohibited.
 - Use of derivative investments including but not limited to: Forwards, future options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and mortgage-backed securities are not considered derivative investments for the purposes of these guidelines. Short selling of securities is prohibited. Unregistered or restricted stocks are prohibited. Commodities are prohibited.

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- Commingled or mutual funds with the exception of bank STIF funds are prohibited.
- Yankee bonds are limited to 5% of the fixed income portfolio.
- The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, if at any time this document is found to be in conflict with applicable laws and regulations, the statute shall prevail.

As of December 31, 2010, the System had the following investments and maturities:

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

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

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$66,454,170 in investments, none were uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

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

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

Concentration of Credit Risk

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

B. Receivables

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

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

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

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

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

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

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

Sherwood Middle School Constuction Fund:

Commonwealth of Massachusetts:

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

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants	510,565	
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Commonwealth of Massachusetts:

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

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

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

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

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

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

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

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

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

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

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

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

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

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C. Capital Assets

Governmental Activities

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

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

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

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Sewer Activities

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

Electric light activities
(as of December 31, 2010)

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

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Cablevision activities
(as of December 31, 2010)

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

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

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

D. Interfund Receivables, Payables and Transfers

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

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

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

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E. Short-Term Financing

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

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

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

F. Long Term Debt

General Obligation Bonds

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

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

Governmental Funds

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

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

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

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

Sewer, Electric Light and Cablevision Enterprise Funds

Business-type debt

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

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

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
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June 30, 2011

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

TOWN OF SHREWSBURY, MASSACHUSETTS
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June 30, 2011

Advance Refunding – August 26, 2009

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

Advance Refunding – April 22, 2010

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

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

Massachusetts Water Pollution Abatement Trust (MWPAT)

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

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2011 totaled \$49,945,736.

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

The following is a computation of the legal debt limit as of June 30, 2011:

Equalized Valuation-Real Estate and Personal Property (2010)		\$ 5,064,277,500	
Debt Limit: 5 % of Equalized value		\$ 253,213,875	
Total Debt Outstanding			
General Debt:	\$ 50,702,205		
Less: Debt Outside Debt Limit	1,051,205	\$ 49,651,000	
Business-type Debt:	\$ 2,483,736		
Less: Debt Outside Debt Limit	2,189,000	294,736	
Total Inside Debt		\$ 49,945,736	
Inside Debt Excess Borrowing Capacity at June 30, 2010		\$ 203,268,139	

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as permanent long term debt of June 30, 2011 and are not reflected in the Town's financial statements are as follows:

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

G. Fund Balances

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

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

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

H. Special Trust Funds

Stabilization Fund

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

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

4. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Litigation

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

Federal Financial Assistance

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
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Electric Light Enterprise Fund – Power Sales Agreement

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

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

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

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W. F. Wyman Unit No. 4 plant, owned and operated by FPL Energy Wyman IV LLC, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (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. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
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Cablevision Enterprise Fund – Commitments and Contingencies

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

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

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

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

C. Subsequent Event

Long Term Debt

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

D. Other Post Employment Benefits Payable

GASB Statement No. 45

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

Plan Description

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

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Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2011 fiscal year, the Town premiums plus implicit costs for the retiree medical program are \$1,756,651 consisting of \$1,747,999 for the governmental activities and \$8,652 for the sewer business-type activities. For the calendar year 2010, the electric light fund and cablevision fund premiums plus implicit costs for the retiree medical program are \$77,770 and \$7,257, respectively.

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

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

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

Funded Status and Funding Process

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

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

Schedule of Funding Progress

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

Actuarial Methods and Assumptions

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

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

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

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

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

Trust Fund

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

E. Pension Plan

Plan Description

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

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

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

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

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

Funding Policy

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

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

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

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

Schedule of Funding Progress
(Dollar amounts in thousands)

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

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

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

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

Reporting Policies

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

Investments are reported in accordance with PERAC requirements.

5. RESTATEMENT

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

SUPPLEMENTARY SCHEDULES

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

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

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

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

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

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

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

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

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

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