

TOWN OF SHREWSBURY, MASSACHUSETTS

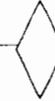
MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2007

Thomas J. Scanlon CPA
C. Gregory Winters CPA
Thomas J. Scanlon Jr. CPA

8 Tina Drive
South Deerfield, MA. 01373
Tel 413-665-4001
Fax 413-665-0593

Thomas J. Scanlon & Associates
Certified Public Accountants



To the Board of Selectmen
Town of Shrewsbury
Shrewsbury, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Shrewsbury as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Shrewsbury's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and recommendations concerning those matters. This letter does not affect our report dated December 11, 2007, on the basic financial statements.

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

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

A handwritten signature in cursive script, appearing to read "Tom J. Scanlon", written in dark ink.

Thomas J Scanlon
Certified Public Accountant

South Deerfield, Massachusetts
December 11, 2007

CURRENT YEAR FINDINGS:

Finding 2007-1: Accounting/Financial Policies and Procedures Manual (Other Matter)

Comment:

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

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

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

Finding 2007-2: Risk Assessment and Monitoring (Other Matter)

Comment:

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

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

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?

- Are there any known internal control weaknesses that would allow misappropriations of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?

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

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

Finding 2007-3: Budget Subsidiary Reconciliation (Other Matter)

Comment:

During our audit we noted that the town accountant does not document the reconciliation of town meeting votes to the budget subsidiary records. Documenting this reconciliation will strengthen financial controls to insure all budgets and transfers authorized by town meeting are accounted for on the Town's financial statements.

Finding 2007-4: Review of Investments (Other Matter)

Comment:

The Town's financial personnel meet quarterly to review the investments and measure their performance to determine if they are meeting the needs of the Town. As part of these meetings the financial personnel should review the investments to see if they are in compliance with their investment policy and in compliance with legal investments for Massachusetts municipalities. Also this review should be documented to further strengthen this control.

PRIOR YEAR FINDINGS:

Finding 2007-5: GASB Statement No. 45, Financial Reporting For Post-employment Benefits Other Than Pension Plans (Other Matter)

Prior Comment:

GASB issued a statement on post employment benefit plans that will affect the Town in the future. As a result of this issuance, the Town will be required to implement this new GASB.

Generally, the statement requires the Town to calculate the amount of the annual post employment benefit costs, such as healthcare benefits and other types of post employment healthcare benefits, such as life insurance. Once determined, the cost will then be presented and recognized on the financial statements of the Town, similar to the requirement for compensated absences.

The method of calculation will be determined by the number of plan members. For plans with more than 200 members, an actuarial valuation should be performed at least biennially and for plans with fewer than 200 members, an actuarial valuation should be performed at least triennially. For plans that have less than 100 members, the Town has the option to calculate the liability by an alternative measurement method, in lieu of an actuarial valuation.

The effective dates for implementation of this statement will parallel GASB Statement No. 34. Since the Town is a Phase 2 community, the implementation date for the Town is June 30, 2009.

We recommend that the Town keep abreast with this future requirement. In this way, the Town will be familiar with the statement and have little difficulty with implementation when the time comes.

Additionally, there will be more GASB Statements in the future that will affect the Town. We recommend the Town stay current with these statements to ease the implementation process.

Status:

As of the date of our audit the town has not hired an actuary.

Finding 2007-6: Inventories (Other Matter)

Prior Comment:

As a part of our audit we test a sample of equipment purchases. In prior audits we found that the Town does not maintain an inventory of small items that do not qualify for fixed assets. As of June 30, 2006 there was still no inventory of small items.

Status:

The town accountant has contacted the larger to medium size departments to start the process of accounting for smaller inventory items. The town accountant has started to develop policies and procedures on how these small items will be accounted for.

Finding 2007-7: Older Tax Levies (Other Matter)

Prior Comment:

During our prior audits we found that there is personal property, motor vehicle excise and boat excise levies that go back to several years. These levies should be researched and determine what efforts be made to collect or abate them.

Status:

In fiscal year 2007 the Town has begun to research the older levies by starting with boat excise. The town has resolved the issues with the older boat excise. In fiscal year 2008 the town is in the process of researching the older personal property levies and will have them cleared up by June 30, 2008. After the personal property levies are done the Town will begin on the motor vehicle excise.

TOWN OF SHREWSBURY, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2007

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

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

We have audited the financial statements of the of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Shrewsbury, Massachusetts, as of and for the fiscal year ended June 30, 2007, (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, 2006), which collectively comprise the Town of Shrewsbury, Massachusetts's basic financial statements and have issued our report thereon dated December 11, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, as described in our report on the Town of Shrewsbury, Massachusetts's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions,

to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Shrewsbury, Massachusetts's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Shrewsbury, Massachusetts's financial statements that is more than inconsequential will not be prevented or detected by the Town of Shrewsbury's internal control.

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

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

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the Town of Shrewsbury, Massachusetts, in a separate letter dated December 11, 2007.

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



THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
December 11, 2007

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts Department of Education:			
Food Distribution-School Lunch Commodities	14-271	10.550	\$ 73,139
School Breakfast Program	14-271	10.553	5,229
National School Lunch Program	14-271	10.555	244,267
Total U. S. Department of Agriculture			<u>322,635</u>
U. S. Department of Justice			
Direct Programs:			
Bureau of Justice Assistance			
Local Law Enforcement Block Grant No. 97LBVX4679		16.592	6,897
Bulletproof Vest Partnership Program		16.607	5,408
Office of Community Oriented Policing Services			
COPS FAST		16.710	19,390
Community Policing to Combat Domestic Violence Grant No. 96DVWX0237		16.710	1,850
COPS Problem Solving Partnerships Grant No. 97PRWX0338		16.710	4,851
COPS MORE Grant No. 97CMWX0654		16.710	16,385
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
Juvenile Justice and Delinquency Prevention		16.540	1,563
Edward Byrne Memorial State and Local Law Enforcement Assistance Formula Grant			
Multi-Jurisdictional Counter Crime Task Force Program		16.579	93,946
Violence Against Women		16.588	2,102
Total U. S. Department of Justice			<u>152,392</u>
U. S. Department of Transportation			
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
State and Community Highway Safety		20.600	5,277
Total U. S. Department of Transportation			<u>5,277</u>
Institute for Museum and Library Services			
Passed Through Commonwealth of Massachusetts Board of Library Commissioners:			
Library Services and Technology Act - FY 2006 - Discovery Kits		45.310	3,895
Total Institute for Museum and Library Services			<u>3,895</u>
U. S. Department of Homeland Security			
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
LEPC Training		97.020	528
Passed Through Central Massachusetts Regional Planning Commission:			
Domestic Preparedness Training		97.005	9,728
Total U. S. Department of Homeland Security			<u>10,256</u>
TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 2			<u>\$ 494,455</u>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts Department of Education:			
Title I - 2002	305-109-2-0271-C	84.010	\$ 316
Title I - 2004	305-133-4-0271-E	84.010	17
Title I - 2006	305-173-6-0271-G	84.010	23,452
Title I - 2007	305-276-7-0271-H	84.010	272,162
Special Education PL 94-142 Allocation - 2005	240-186-5-0271-F	84.027	55
Special Education PL 94-142 Allocation - 2006	240-218-6-0271-G	84.027	57,466
Special Education PL 94-142 Allocation - 2007	240-055-7-0271-H	84.027	1,137,658
Special Education Program Improvement - 2007	274-018-7-0271-H	84.027	44,754
Mental Health Support - 2003	216-027-3-0271-D	84.027	213
Mental Health Support - 2004	216-005-4-0271-E	84.027	58
Mental Health Support - 2006	216-016-6-0271-G	84.027	906
Drug Free Schools - 2006	331-141-6-0271-G	84.186	550
Drug Free Schools - 2007	331-013-7-0271-H	84.186	19,806
Title V - 2005	302-108-5-0271-F	84.298	1,233
Title V - 2007	302-014-7-0271-H	84.298	90
Enhanced Education Through Technology - 2005	160-048-5-0271-F	84.318	231
Enhanced Education Through Technology - 2007	160-250-7-0271-H	84.318	4,564
LEP Support - 2006	180-043-6-0271-G	84.365	1,911
LEP Support - 2007	180-055-7-0271-H	84.365	22,878
Teacher Quality - 2005	140-056-5-0271-F	84.367	235
Teacher Quality - 2006	140-208-6-0271-G	84.367	5,720
Teacher Quality - 2007	140-016-7-0271-H	84.367	95,005
Passed Through Commonwealth of Massachusetts Department of Early Education and Care:			
Special Education Early Childhood Allocation - 2006	EEC-262	84.173	320
Special Education Early Childhood Allocation - 2007	EEC-262	84.173	35,278
Total U. S. Department of Education			<u>1,724,878</u>
U. S. Department of Health and Human Services:			
Passed Through Commonwealth of Massachusetts Department of Education:			
Health Education Assessment Trainer - 2007	643-005-7-0271-H	93.938	2,113
Regional Health Coordinators - 2007	645-005-7-0271-H	93.938	1,960
Total U. S. Department of Health and Human Services			<u>4,073</u>
Corporation for National and Community Service			
Passed Through Commonwealth of Massachusetts Department of Education:			
Learn & Serve School Based - 2002	354-013-2-0271-C	94.004	463
Learn & Serve School Based - 2006	354-008-6-0271-G	94.004	1,297
Learn & Serve School Based - 2007	354-006-7-0271-H	94.004	5,934
Total Corporation for National and Community Service			<u>7,694</u>
TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 2			1,736,645
TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 2			494,455
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 2,231,100</u>

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant expenditures of the Town.

The modified accrual basis of accounting is followed in the schedule. Under the modified accrual basis of accounting, the receipts and proceeds from federal grants are recorded when they become available and measurable. Expenditures are recorded when the liability is incurred, if measurable.

Non-cash assistance, such as food commodities and donated equipment, is valued at fair market value at the time of receipt provided by the federal agency.

Thomas J. Scanlon CPA
C. Gregory Winters CPA
Thomas J. Scanlon Jr. CPA

8 Tina Drive
South Deerfield, MA. 01373
Tel 413-665-4001
Fax 413-665-0593

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

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

Compliance

We have audited the compliance of the Town of Shrewsbury, Massachusetts, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Town of Shrewsbury, Massachusetts's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Shrewsbury, Massachusetts's management. Our responsibility is to express an opinion on the Town of Shrewsbury, Massachusetts's compliance based on our audit.

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

In our opinion, the Town of Shrewsbury, Massachusetts, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

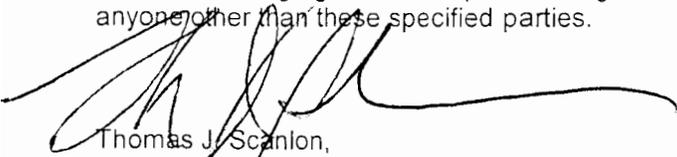
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Shrewsbury, Massachusetts, as of and for the fiscal year ended June 30, 2007, (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, 2006), and have issued our report thereon dated December 11, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Shrewsbury, Massachusetts's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the Town of Shrewsbury, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Thomas J. Scanlon,
Certified Public Accountant

South Deerfield, Massachusetts
December 11, 2007

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553	U. S. Department of Agriculture - School Breakfast Program
10.555	U. S. Department of Agriculture - National School Lunch Program
84.027	U. S. Department of Education - Special Education Grants to States
84.173	U. S. Department of Education - Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings noted.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs noted.

TOWN OF SHREWSBURY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2007

TOWN OF SHREWSBURY, MASSACHUSETTS TABLE OF CONTENTS
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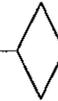
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Thomas J. Scanlon & Associates
Certified Public Accountants



Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Shrewsbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of and for the fiscal year ended June 30, 2007 (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, 2006), which collectively comprise the Town of Shrewsbury, Massachusetts's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shrewsbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric, which represents 53% of the assets and 70% of the revenues of the proprietary fund types and the the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represents 22% of the assets and 24% of the revenues of the proprietary fund types. These financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, is based solely on the report of the other auditors.

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

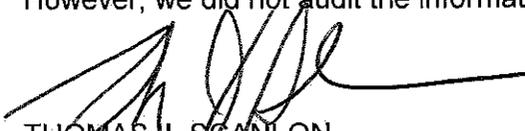
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shrewsbury, Massachusetts, as of June 30, 2007, (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, 2006), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then

ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2007, on our consideration of the Town of Shrewsbury, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
December 11, 2007

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, 2007.

Financial Highlights

- The Town's assets exceeded its liabilities by \$185,975,953 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$177,345,680 or an increase of \$8,630,273.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$136,635,774 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$13,965,608 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$35,374,571 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$15,228,289 this year. This compares to the prior year ending fund balance of \$16,043,828 showing a decrease of \$815,539 during the current year. Unreserved/undesignated fund balance of \$4,464,676 for fiscal year 2007 shows a \$586,478 increase from the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$4,464,676, or 5.17% of total General Fund expenditures including transfers and 5.06% of total General Fund revenues including transfers.
- Total liabilities of the Town increased by \$1,300,233 to \$100,992,502 during the fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Highlights

Statement of Net Assets Highlights

	Governmental Activities		
	2007	2006	Change
Assets:			
Current assets	\$ 41,618,973	\$ 34,256,432	\$ 7,362,541
Noncurrent assets (excluding capital assets)	43,564,775	45,863,257	(2,298,482)
Capital assets	121,676,361	120,255,191	1,421,170
Total assets	206,860,109	200,374,880	6,485,229
Liabilities:			
Current liabilities (excluding debt)	6,238,712	7,950,975	(1,712,263)
Noncurrent liabilities (excluding debt)	824,497	769,754	54,743
Current debt	18,739,232	11,950,285	6,788,947
Noncurrent debt	58,810,939	63,378,567	(4,567,628)
Total liabilities	84,613,380	84,049,581	563,799
Net Assets:			
Capital assets net of related debt	96,568,996	94,514,229	2,054,767
Restricted	11,037,684	9,202,826	1,834,858
Unrestricted	14,640,049	12,608,244	2,031,805
Total net assets	122,246,729	116,325,299	5,921,430
Business-Type Activities			
	2007	2006	Change
Assets:			
Current assets	\$ 33,319,556	\$ 31,182,479	\$ 2,137,077
Noncurrent assets (excluding capital assets)	976,353	1,092,241	(115,888)
Capital assets	45,812,437	44,388,349	1,424,088
Total assets	80,108,346	76,663,069	3,445,277
Liabilities:			
Current liabilities (excluding debt)	10,626,385	10,505,576	120,809
Noncurrent liabilities (excluding debt)	7,078	8,126	(1,048)
Current debt	1,557,293	551,980	1,005,313
Noncurrent debt	4,188,366	4,577,006	(388,640)
Total liabilities	16,379,122	15,642,688	736,434
Net Assets:			
Capital assets net of related debt	40,066,778	39,259,363	807,415
Restricted	2,927,924	3,277,924	(350,000)
Unrestricted	20,734,522	18,483,094	2,251,428
Total net assets	63,729,224	61,020,381	2,708,843

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2007	2006	Change
Program Revenues:			
Charges for services	10,243,055	10,217,705	25,350
Operating grants and contributions	29,959,793	26,887,369	3,072,424
Capital grants and contributions	2,997,109	11,859,278	(8,862,169)
General Revenues:			
Property taxes	44,415,874	42,725,807	1,690,067
Motor vehicle excise and other taxes	4,470,485	4,692,857	(222,372)
Hotel room occupancy taxes	60,720	49,047	11,673
Penalties and interest on taxes	202,231	221,300	(19,069)
Nonrestricted grants	3,647,010	3,079,966	567,044
Unrestricted investment income	1,948,055	1,061,113	886,942
Net increase (decrease) in fair value of investments	-	(545,846)	545,846
Total revenues	97,944,332	100,248,596	(2,304,264)
Expenses:			
General government	5,732,951	5,581,123	151,828
Public safety	7,605,023	6,923,771	681,252
Public works (including water)	5,571,341	5,145,276	426,065
Education	49,960,473	49,002,778	957,695
Health and human services	2,384,380	2,408,330	(23,950)
Culture and recreation	2,251,955	2,034,400	217,555
Employee benefits and insurance	14,612,966	13,336,798	1,276,168
State assessments	907,840	738,685	169,155
Interest	3,425,168	3,641,930	(216,762)
Total expenses	92,452,097	88,813,091	3,639,006
Special Items - Gain on Sale of Capital Assets	-	104,622	(104,622)
Transfers	429,195	(77,779)	506,974
Change in net assets	5,921,430	11,462,348	(5,540,918)
Net assets - beginning of year	116,325,299	104,862,951	11,462,348
Net assets - end of year	\$ 122,246,729	\$ 116,325,299	\$ 5,921,430

	Business-Type Activities		
	2007	2006	Change
Program Revenues:			
Charges for services	\$ 40,752,007	\$ 38,295,170	\$ 2,456,837
Operating grants and contributions	89,211	545,463	(456,252)
Total revenues	40,841,218	38,840,633	2,000,585
Expenses:			
Sewer	2,567,949	2,889,300	(321,351)
Electric light	26,882,307	27,041,189	(158,882)
Community Cablevision	8,277,559	7,715,792	561,767
Total expenses	37,727,815	37,646,281	81,534
Transfers	(404,560)	125,773	(530,333)
Change in net assets	2,708,843	1,320,125	1,388,718
Net assets - beginning of year	61,020,381	59,700,256	1,320,125
Net assets - end of year	\$ 63,729,224	\$ 61,020,381	\$ 2,708,843

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 \$185,975,953 at the close of FY 2007.

Net assets of \$136,635,774 (73%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the net assets \$13,965,608 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$35,374,571 (19%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net assets increased by \$5,921,430 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures by \$5,492,235 and transfers from the business-type activities of \$429,195.

There was an increase of \$2,708,843 in net assets reported in connection with the sewer, electric light and community cablevision business-type activities. The sewer

department decrease of \$86,276 was attributable to operating costs exceeding operating revenues by \$226,988, non-operating revenues (expenses) of \$(225) and a net general fund subsidy of \$140,937. The electric light department increase at December 31, 2006 of \$1,511,284 was attributed to operating revenues exceeding expenditures by \$1,635,609, non-operating revenues (expenses) of \$(8,884) less transfers to the general fund of \$115,441. The community cablevision increase at December 31, 2006 of \$1,283,835 was attributed to operating revenue exceeding operating expenses of \$1,848,496, non-operating revenues (expenses) of (\$134,605) less transfers to the general fund of \$430,056.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$15,228,289 a decrease of \$815,539 in comparison with the prior year.

The decrease was mainly due to expenditures exceeding revenues by \$1,244,734 and net transfers from the business-type funds in the amount of \$429,195.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$15,228,289. Of this year-end total, \$4,464,676 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include \$4,694,972 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$3,680,504 reserved for the 2008 budget; \$8,686,248 in special revenue funds; (\$7,985,064) in capital projects funds; and \$1,686,953 in permanent funds.

The deficit of (\$7,985,064) in the capital projects fund includes the Allen Farm property acquisition fund, the new fire headquarters construction fund and the middle school renovation fund that ended the fiscal year 2007 with a negative fund balances of \$6,031,125, \$2,467,902 and \$1,250,473 due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$13,378,307 in bond anticipation notes were outstanding on these projects. Permanent financing will be done once the projects nears completion. At that time the deficits will be eliminated.

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$4,464,676, while total fund balance reached \$11,530,622. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 5.17% of

total general fund expenditures including transfers and total fund balance represents 13.36% of that same amount. Unreserved/undesignated fund balance represents 5.06% of total general fund revenues including transfers and total fund balance represents 13.08% of that same amount.

The fund balance of the general fund increased by \$1,882,296. Of this amount \$1,914,175 was attributed to the revenues over expenditures, \$388,348 of transfers to the stabilization fund, \$429,195 of net transfers from the business-type funds and \$72,726 of net transfers to other non-major governmental funds.

The *Stabilization Fund* has accumulated a fund balance of \$584,192, or .68% of total general fund expenditures including transfers and .66% of total general fund revenues including transfers. These funds can be used for general or capital purposes upon Town meeting approval.

The fund balance of the stabilization fund increased by \$406,809. Of this amount \$18,461 was attributed to interest income and transfers from the general fund for \$388,348. Please refer to Note 3G for additional information.

The *New Fire Station Headquarters Construction Fund* has a negative fund balance of \$2,467,902. The fund is used to account for the financial resources to construct a fire station. The fund ended fiscal year 2007 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$6,000,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund decreased by \$2,467,902. Of this amount \$2,467,902 was attributed to expenditures.

The *Middle School Renovation Fund* had a negative fund balance of \$1,250,473. The fund is used to account for the financial resources to renovate the middle school. The fund ended fiscal year 2007 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$1,278,307 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund decreased by \$1,518,751. Of this amount \$1,518,751 was attributed to expenditures.

The *Allen Farm Property Acquisition fund* has a negative fund balance of \$6,031,125. The fund is used to account for financial resources to acquire the land and buildings situated in the Town. The fund ended fiscal year 2007 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 \$1,958. Of this amount \$1,958 was attributed to expenditures.

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

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the Town's sewer system. The fund shows a decrease of \$86,276, attributable to operational costs exceeding revenue by \$226,988, intergovernmental revenues (Massachusetts water pollution abatement trust subsidies) of \$12,266, interest expense of \$12,491 and a net general fund subsidy of \$140,937.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2006 shows an increase of \$1,511,284, attributed to operating revenues exceeding expenditures by \$1,635,609, investment income of \$65,900, interest expense of \$83,392, other income of \$11,045, other expenses of \$2,437 and transfers to the general fund of \$115,441.

The *Community Cablevision Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2006 shows an increase of \$1,283,835, attributed to operating revenue exceeding operating expenses of \$1,848,496, interest expense of \$134,605 and transfers to the general of \$430,056.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2007 was \$85,011,218. This was an increase of \$2,762,639 over the previous year's budget.

There was an increase of \$604,978 between the original budget and the final amended budget. The increase is attributed from the Town amending specific expenditure line items of the final budget, primarily to the school department for \$185,000; the police department for \$135,300; the highway and building account for \$112,000; the board of health for \$15,000; the library for \$5,000; the park department for \$15,000; the interest account for \$36,778; a prior year's bill for \$300; police salaries for \$50,000; veterans benefits for \$10,600 and the oil and fuel account for \$40,000. Of the \$6,716,869 in under budget expenditures \$4,694,972 has been carried over to fiscal year 2008.

There was a negative variance in state receipts of \$87,202 attributed to state receipts being less than was estimated on the cherry sheet.

A negative variance of \$24,934 exists in state assessments. This was attributed to the expenditures exceeding the assessments in the charter school assessment for \$67,454, in the regional transit authority for \$5,232 and over assessments in the RMV non-renewal surcharge assessment \$860, the special education assessment of \$157 and the school choice sending tuition of \$46,735.

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, 2007, (December 31, 2006 for the electric light

fund and the community cablevision fund) amounts to \$121,676,361 and \$45,812,437, respectively.

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

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

- Foreclosure property for \$24,076.
- Electronic fingerprinting equipment for \$23,760.
- An aerial fire truck for \$765,227.
- Police vehicles and motorcycles for \$151,128.
- Renovations of two fire stations and a new fire station for \$2,624,525.
- Highway garage roof repair for \$76,000.
- Department of public works and water vehicles for \$294,231.
- A air stripper facility tower for \$178,390.
- Route 9 water system improvements for \$53,330.
- A new water tank for \$124,570.
- Middle school flooring for \$16,200.
- Shrewsbury high school deli serving bar for \$100,000
- Oak Middle school west renovations for \$1,518,750.
- Mower for the cemetery for \$21,855.
- Parks department truck for \$29,975.
- Jordan Pond improvements for \$142,546.
- Lake Street pond improvements for \$100,000.

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

In the sewer fund:

- A jet/vacuum truck for \$224,888.
- Construction in progress of \$552,085 for a pumping station, lift and sewer mains.

In the electric light and cablevision funds capital acquisitions were \$2,114,301 and \$1,712,111, respectively.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2007, totaled \$77,550,171. The primary debt is education debt of \$59,751,850, senior center building debt of \$200,000, conservation land acquisition debt of \$3,190,000 and septic Title V debt of \$236,717. Debt also includes bond anticipation notes of \$14,171,604 consisting of education debt of \$1,278,307, fire station headquarters for \$6,000,000, fire truck debt of \$793,297 and conservation debt of \$6,100,000.

The business-type funds have \$5,745,659 consisting of sewer activity debt of \$414,359, electric light activity debt of \$1,516,300 (at December 31, 2006) and cablevision activity debt of \$2,815,000 (at December 31, 2006). Debt also includes bond anticipation notes of \$1,000,000 for the electric light.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,331,227	\$ 8,938,179	\$ 10,269,406
Investments	32,426,815	6,869,544	39,296,359
Receivables, net of allowance for uncollectibles:			
Property Taxes	565,100	-	565,100
Deferred Property Taxes	21,604	-	21,604
Taxes in Litigation	11,055	-	11,055
Tax Liens	165,201	-	165,201
Excise Taxes	299,972	-	299,972
User Charges	298,890	3,163,660	3,462,550
Other	-	790,631	790,631
Special Assessments	213,879	172,408	386,287
Due from Other Governments	6,285,230	71,158	6,356,388
Materials and Supplies	-	691,863	691,863
Prepaid Expenses	-	2,991,011	2,991,011
Other	-	7,855	7,855
Restricted Cash and Investments:			
Depreciation Fund	-	2,927,924	2,927,924
Stranded Investment Fund	-	6,643,824	6,643,824
Investment in Other Companies	-	51,499	51,499
Total current assets	41,618,973	33,319,556	74,938,529
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	240,362	976,353	1,216,715
Due from Other Governments	43,324,413	-	43,324,413
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	19,182,786	1,937,992	21,120,778
Depreciable	102,493,575	43,874,445	146,368,020
Total noncurrent assets	165,241,136	46,788,790	212,029,926
Total Assets	206,860,109	80,108,346	286,968,455
LIABILITIES			
CURRENT:			
Warrants Payable	666,724	3,791,986	4,458,710
Accrued Payroll	2,642,628	7,015	2,649,643
Employee Withholdings	656,119	-	656,119
Tax Refund Payable	252,850	-	252,850
Taxes Collected in Advance	60,755	-	60,755
Accrued Interest	1,263,009	53,837	1,316,846
Other	281,327	6,877	288,204
Accumulated Provision for Rate Refund	-	6,643,824	6,643,824
Compensated Absences	415,300	122,846	538,146
Bond Anticipation Notes	14,171,604	1,000,000	15,171,604
Bonds Payable	4,567,628	557,293	5,124,921
Total current liabilities	24,977,944	12,183,678	37,161,622
NONCURRENT:			
Compensated Absences	824,497	7,078	831,575
Bonds Payable	58,810,939	4,188,366	62,999,305
Total noncurrent liabilities	59,635,436	4,195,444	63,830,880
Total Liabilities	84,613,380	16,379,122	100,992,502
NET ASSETS:			
Invested in Capital Assets, net of related debt	96,568,996	40,066,778	136,635,774
Restricted for:			
Capital Projects	1,861,145	-	1,861,145
Federal & State Grants	2,276,047	-	2,276,047
Permanent Funds	1,686,952	-	1,686,952
Other Purposes	5,213,540	-	5,213,540
Depreciation	-	2,927,924	2,927,924
Unrestricted	14,640,049	20,734,522	35,374,571
Total Net Assets	\$ 122,246,729	\$ 63,729,224	\$ 185,975,953

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 5,732,951	\$ 384,656	\$ 379,373	\$ -	\$ (4,968,922)	\$ -	\$ (4,968,922)
Public Safety	7,605,023	941,082	443,069	-	(6,220,872)	-	(6,220,872)
Public Works (including Water)	5,571,341	3,272,894	-	1,338,800	(959,647)	-	(959,647)
Education	49,960,473	4,179,440	20,505,835	1,658,309	(23,616,889)	-	(23,616,889)
Health and Human Services	2,384,380	1,010,633	261,606	-	(1,112,141)	-	(1,112,141)
Culture and Recreation	2,251,955	454,350	352,159	-	(1,445,446)	-	(1,445,446)
Employee Benefits and Insurance	14,612,966	-	5,785,240	-	(8,827,726)	-	(8,827,726)
State Assessments	907,840	-	-	-	(907,840)	-	(907,840)
Interest	3,425,168	-	2,232,511	-	(1,192,657)	-	(1,192,657)
Total Governmental Activities	92,452,097	10,243,055	29,959,793	2,997,109	(49,252,140)	-	(49,252,140)
Business-Type Activities:							
Sewer	2,567,949	2,328,470	12,266	-	-	(227,213)	(227,213)
Electric Light	26,882,307	28,432,087	76,945	-	-	1,626,725	1,626,725
Community Cablevision	8,277,559	9,991,450	-	-	-	1,713,891	1,713,891
Total Primary Government	\$ 130,179,912	\$ 50,995,062	\$ 30,049,004	\$ 2,997,109	(49,252,140)	3,113,403	(46,138,737)
General Revenues:							
Property Taxes					44,415,874	-	44,415,874
Motor vehicle and other excise taxes					4,470,485	-	4,470,485
Hotel Room Occupancy Taxes					60,720	-	60,720
Penalties & Interest on Taxes					202,231	-	202,231
Grants & Contributions not restricted to specific programs					3,647,010	-	3,647,010
Unrestricted Investment Income					1,948,055	-	1,948,055
Transfers, net					429,195	(404,560)	24,635
Total General Revenues and Transfers					55,173,570	(404,560)	54,769,010
Change in Net Assets					5,921,430	2,708,843	8,630,273
Net Assets:							
Beginning of year					116,325,299	61,020,381	177,345,680
End of year					\$ 122,246,729	\$ 63,729,224	\$ 185,975,953

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	New Fire						Allen Farm			Total Governmental Funds
	General Fund	Stabilization Fund	Headquarters Construction Fund	Middle School Renovation Fund	Property Acquisition Fund	Nonmajor Governmental Funds	Property Acquisition Fund	Nonmajor Governmental Funds	Governmental Funds	
ASSETS										
Cash and Cash Equivalents	\$ 172,121	\$ -	\$ -	\$ -	\$ 68,875	\$ -	\$ -	\$ -	\$ 1,090,231	\$ 1,331,227
Investments	15,848,853	584,192	3,532,098	27,834	-	-	-	-	12,433,838	32,426,815
Receivables, net of allowance for uncollectibles:										
Property Taxes	565,100	-	-	-	-	-	-	-	-	565,100
Deferred Property Taxes	21,604	-	-	-	-	-	-	-	-	21,604
Taxes in Litigation	11,055	-	-	-	-	-	-	-	-	11,055
Tax Liens	165,201	-	-	-	-	-	-	-	-	165,201
Excise Taxes	299,972	-	-	-	-	-	-	-	-	299,972
User Charges	298,890	-	-	-	-	-	-	-	-	298,890
Special Assessments	259,504	-	-	-	-	-	-	-	194,737	454,241
Due from Other Governments	46,222,385	-	-	1,658,309	-	-	-	-	1,728,949	49,609,643
Total Assets	\$ 63,864,685	\$ 584,192	\$ 3,532,098	\$ 1,686,143	\$ 68,875	\$ -	\$ -	\$ -	\$ 15,447,755	\$ 85,183,748
LIABILITIES AND FUND BALANCE:										
Liabilities:										
Warrants Payable	\$ 666,724	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 666,724
Accrued Payroll	2,539,625	-	-	-	-	-	-	-	103,003	2,642,628
Employee Withholdings	656,119	-	-	-	-	-	-	-	-	656,119
Tax Refund Payable	252,850	-	-	-	-	-	-	-	-	252,850
Taxes Collected in Advance	60,755	-	-	-	-	-	-	-	-	60,755
Accrued Interest on Short-Term Debt	266,082	-	-	-	-	-	-	-	-	266,082
Deferred Revenue:										
Property Taxes	331,970	-	-	-	-	-	-	-	-	331,970
Other	47,278,611	-	-	1,658,309	-	-	-	-	1,688,480	50,625,400
Other	281,327	-	-	-	-	-	-	-	-	281,327
Bond Anticipation Notes Payable	-	-	6,000,000	1,278,307	6,100,000	-	-	-	793,297	14,171,604
Total Liabilities	52,334,063	-	6,000,000	2,936,616	6,100,000	-	-	-	2,584,780	69,955,459
Fund Balance:										
Reserved For:										
Encumbrances and continuing appropriations	4,694,972	-	-	-	-	-	-	-	-	4,694,972
Unreserved:										
Designated for subsequent year's expenditures	2,370,974	-	-	-	-	-	-	-	1,309,530	3,680,504
Undesignated, reported in:										
General Fund	4,464,676	-	-	-	-	-	-	-	-	4,464,676
Special Revenue	-	584,192	-	-	-	-	-	-	8,102,056	8,686,248
Capital Projects	-	-	(2,467,902)	(1,250,473)	(6,031,125)	-	-	-	1,764,436	(7,985,064)
Permanent Funds	-	-	-	-	-	-	-	-	1,686,953	1,686,953
Total Fund Balance	11,530,622	584,192	(2,467,902)	(1,250,473)	(6,031,125)	-	-	-	12,862,975	15,228,289
Total Liabilities and Fund Balance	\$ 63,864,685	\$ 584,192	\$ 3,532,098	\$ 1,686,143	\$ 68,875	\$ -	\$ -	\$ -	\$ 15,447,755	\$ 85,183,748

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, 2007

	New Fire			Allen Farm		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Stabilization Fund	Headquarters Construction Fund	Middle School Renovation Fund	Property Acquisition Fund		
Revenues:							
Property Taxes	\$ 44,294,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,294,371
State Receipts	23,934,895	-	-	-	-	-	23,934,895
Excise and Other Taxes	4,500,517	-	-	-	-	-	4,500,517
Licenses, Permits, Fees	5,403,134	-	-	-	-	-	5,403,134
Interest on Taxes	202,231	-	-	-	-	-	202,231
Investment Income	1,929,594	18,461	-	-	-	275,538	2,223,593
Intergovernmental	5,792,413	-	-	-	-	-	5,792,413
Grants and Fees	-	-	-	-	-	10,864,118	10,864,118
Total Revenues	86,057,155	18,461	-	-	-	11,139,656	97,215,272
Expenditures:							
Current:							
General Government	5,580,920	-	-	-	1,958	107,647	5,690,525
Public Safety	7,031,943	-	2,467,902	-	-	1,372,055	10,871,900
Public Works (including Water)	4,360,067	-	-	-	-	1,130,447	5,490,514
Education	39,743,207	-	-	1,518,751	-	6,859,219	48,121,177
Health and Human Services	2,211,883	-	-	-	-	127,839	2,339,722
Culture and Recreation	1,629,135	-	-	-	-	731,208	2,360,343
Employee Benefits and Insurance	14,612,966	-	-	-	-	-	14,612,966
State Assessments	907,840	-	-	-	-	-	907,840
Debt Service:							
Principal	4,571,978	-	-	-	-	-	4,571,978
Interest	3,493,041	-	-	-	-	-	3,493,041
Total Expenditures	84,142,980	-	2,467,902	1,518,751	1,958	10,328,415	98,460,006
Excess of Revenues Over (Under) Expenditures	1,914,175	18,461	(2,467,902)	(1,518,751)	(1,958)	811,241	(1,244,734)
Other Financing Sources (Uses):							
Operating Transfers in	2,124,002	388,348	-	-	-	1,767,533	4,279,883
Operating Transfers Out	(2,155,881)	-	-	-	-	(1,694,807)	(3,850,688)
Total Other Financing Sources (Uses)	(31,879)	388,348	-	-	-	72,726	429,195
Net Change in Fund Balances	1,882,296	406,809	(2,467,902)	(1,518,751)	(1,958)	883,967	(815,539)
Fund Balances, Beginning of Year	9,648,326	177,383	-	268,278	(6,029,167)	11,979,008	16,043,828
Fund Balances, End of Year	\$ 11,530,622	\$ 584,192	\$ (2,467,902)	\$ (1,250,473)	\$ (6,031,125)	\$ 12,862,975	\$ 15,228,289

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, 2007

Total Governmental Fund Balances	\$	15,228,289
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		121,676,361
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		50,957,370
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payable	\$ (63,378,567)	
Compensated Absences	<u>(1,239,797)</u>	(64,618,364)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(996,927)</u>
Net Assets of Governmental Activities	\$	<u>122,246,729</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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (815,539)

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

Capital Outlay Purchases	\$ 6,244,563	
Depreciation	<u>(4,823,393)</u>	1,421,170

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 729,060

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 4,571,978

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	(53,112)	
Net Change in Accrued Interest on Long-Term Debt	<u>67,873</u>	<u>14,761</u>

Change in Net Assets of Governmental Activities \$ 5,921,430

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, 2007**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Property Taxes	\$ 43,295,554	\$ 44,159,854	\$ 44,289,366	\$ -	\$ 129,512
State Receipts	23,654,134	23,654,134	23,934,895	-	280,761
Excise and Other Taxes	4,773,000	4,773,000	4,500,517	-	(272,483)
Licenses, Permits, Fees	5,327,000	5,327,000	5,403,134	-	76,134
Interest on Taxes	200,000	200,000	202,231	-	2,231
Interest on Investments	1,100,000	1,100,000	1,621,437	-	521,437
Total Revenues	78,349,688	79,213,988	79,951,580	-	737,592
Expenditures:					
Current:					
General Government	7,143,373	6,789,513	5,580,920	818,343	390,250
Public Safety	6,755,199	7,214,219	7,031,943	97,916	84,360
Public Works (including Water)	7,961,730	8,134,763	4,360,067	3,446,136	328,560
Education	40,048,242	40,233,242	39,743,207	141,003	349,032
Health and Human Services	2,333,593	2,377,660	2,211,883	102,566	63,211
Culture and Recreation	1,732,088	1,780,692	1,629,135	86,008	65,549
Employee Benefits and Insurance	9,591,971	9,591,971	8,827,726	3,000	761,245
State Assessments	882,906	882,906	907,840	-	(24,934)
Debt Service:					
Principal	4,571,978	4,571,978	4,571,978	-	-
Interest	3,385,160	3,434,274	3,429,650	-	4,624
Total Expenditures	84,406,240	85,011,218	78,294,349	4,694,972	2,021,897
Excess of Revenues Over (Under) Expenditures	(6,056,552)	(5,797,230)	1,657,231	(4,694,972)	2,759,489
Other Financing Sources (Uses):					
Operating Transfers In (Out)	284,804	(103,543)	(31,879)	-	71,664
Total Other Financing Sources (Uses)	284,804	(103,543)	(31,879)	-	71,664
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,771,748)	(5,900,773)	1,625,352	(4,694,972)	2,831,153
Budgetary Fund Balance - Beginning of Year	10,447,855	10,447,855	10,447,855	-	-
Budgetary Fund Balance - End of Year	\$ 4,676,107	\$ 4,547,082	\$ 12,073,207	\$ (4,694,972)	\$ 2,831,153

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, 2007

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 79,951,580	\$ 78,294,349
Net Decrease in Revenue from recording Refund Taxes Payable	(7,925)	
Net Increase in Expenditures - Accrued Expenses		56,218
Recognition of intergovernmental Revenue - "on behalf payments"	5,792,413	
Recognition of Expenditures - "on behalf payments"		5,792,413
Net Increase in Fair Value of Investments	308,157	
Net Increase in Revenue from Recording 60-Day Receipts	12,930	
Reported on a GAAP Basis	<u>\$ 86,057,155</u>	<u>\$ 84,142,980</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, 2007**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Electric Light Fund	Community Cablevision Fund	Total
		(as of December 31, 2006)	(as of December 31, 2006)	
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 2,938,553	\$ 3,741,590	\$ 2,258,036	\$ 8,938,179
Investments	6,869,544	-	-	6,869,544
User Charges, net of allowance for uncollectibles	195,662	2,048,796	919,202	3,163,660
Other Receivables	-	790,631	-	790,631
Special Assessments	172,408	-	-	172,408
Due From Other Governments	71,158	-	-	71,158
Materials and Supplies	-	266,046	425,817	691,863
Prepaid Expenses	-	2,904,656	86,355	2,991,011
Other	-	7,855	-	7,855
Restricted Cash and Investments:				
Depreciation Fund	-	2,927,924	-	2,927,924
Rate Stabilization Reserve Fund	-	6,643,824	-	6,643,824
Investment in Other Companies	-	51,499	-	51,499
Total current assets	10,247,325	19,382,821	3,689,410	33,319,556
NONCURRENT:				
Special Assessments	976,353	-	-	976,353
Capital Assets, net of accumulated depreciation:				
Nondepreciable	552,085	1,385,907	-	1,937,992
Depreciable	8,320,056	21,935,840	13,618,549	43,874,445
Total noncurrent assets	9,848,494	23,321,747	13,618,549	46,788,790
Total Assets	20,095,819	42,704,568	17,307,959	80,108,346
LIABILITIES				
CURRENT:				
Accounts Payable	136	3,209,911	581,939	3,791,986
Accrued Payroll	7,015	-	-	7,015
Accrued Interest	5,204	37,830	10,803	53,837
Other	-	6,877	-	6,877
Accumulated Provision for Rate Refund	-	6,643,824	-	6,643,824
Compensated Absences	2,359	60,969	59,518	122,846
Bond Anticipation Notes	-	1,000,000	-	1,000,000
Bonds Payable	14,143	188,150	355,000	557,293
Total current liabilities	28,857	11,147,561	1,007,260	12,183,678
NONCURRENT:				
Compensated Absences	7,078	-	-	7,078
Bonds Payable	400,216	1,328,150	2,460,000	4,188,366
Total noncurrent liabilities	407,294	1,328,150	2,460,000	4,195,444
Total Liabilities	436,151	12,475,711	3,467,260	16,379,122
NET ASSETS:				
Invested in Capital Assets, net of related debt	8,457,782	20,805,447	10,803,549	40,066,778
Restricted for Depreciation	-	2,927,924	-	2,927,924
Unrestricted	11,201,886	6,495,486	3,037,150	20,734,522
Total Net Assets	\$ 19,659,668	\$ 30,228,857	\$ 13,840,699	\$ 63,729,224

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, 2007**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Electric Light Fund (as of December 31, 2006)	Community Cablevision Fund (as of December 31, 2006)	
Operating Revenues:				
Charges for Services	\$ 2,271,313	\$ 28,432,087	\$ 9,991,450	\$ 40,694,850
Other	57,157	-	-	57,157
Total Operating Revenues	2,328,470	28,432,087	9,991,450	40,752,007
Operating Expenses:				
Salaries & Wages	244,426	-	-	244,426
Operating Expenses	1,998,728	24,380,224	6,244,696	32,623,648
Maintenance Expenses	-	1,091,948	389,500	1,481,448
Depreciation	312,304	1,324,306	1,508,758	3,145,368
Total Operating Expenses	2,555,458	26,796,478	8,142,954	37,494,890
Operating Income (Loss)	(226,988)	1,635,609	1,848,496	3,257,117
Non-Operating Revenues (Expenses):				
Investment Income	-	65,900	-	65,900
Intergovernmental	12,266	-	-	12,266
Other	-	11,045	-	11,045
Interest Expense	(12,491)	(83,392)	(134,605)	(230,488)
Other Expenses	-	(2,437)	-	(2,437)
Total Non-Operating Revenues (Expenses)	(225)	(8,884)	(134,605)	(143,714)
Income (Loss) Before Operating Transfers	(227,213)	1,626,725	1,713,891	3,113,403
Operating Transfers:				
Transfer In	140,937	-	-	140,937
Transfers (Out)	-	(115,441)	(430,056)	(545,497)
Total Operating Transfers	140,937	(115,441)	(430,056)	(404,560)
Change in Net Assets	(86,276)	1,511,284	1,283,835	2,708,843
Net Assets at Beginning of Year	19,745,944	28,717,573	12,556,864	61,020,381
Net Assets at End of Year	\$ 19,659,668	\$ 30,228,857	\$ 13,840,699	\$ 63,729,224

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, 2007**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Electric Light Fund (as of December 31, 2006)	Community Cablevision Fund (as of December 31, 2006)	
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,262,927	\$ 27,554,833	\$ 9,923,970	\$ 39,741,730
Receipts from Other Revenues	57,157	-	-	57,157
Payments to Vendors and Employees	(2,261,906)	(26,084,882)	(6,672,074)	(35,018,862)
Net Cash Provided by (Used for) Operating Activities	58,178	1,469,951	3,251,896	4,780,025
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	140,937	(115,441)	(430,056)	(404,560)
Net Cash Provided by (Used for) Noncapital Financing Activities	140,937	(115,441)	(430,056)	(404,560)
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental Revenues	109,761	-	-	109,761
Proceeds from Bonds and Notes	-	1,000,000	-	1,000,000
Transfers From Depreciation Fund	-	350,000	-	350,000
Other	-	9,016	-	9,016
Acquisition and Construction of Capital Assets	(776,973)	(2,114,301)	(1,678,180)	(4,569,454)
Principal Payments on Bonds and Notes	(13,880)	(183,100)	(355,000)	(551,980)
Interest Expense	(12,740)	(74,952)	(137,089)	(224,781)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(693,832)	(1,013,337)	(2,170,269)	(3,877,438)
Cash Flows from Investing Activities:				
Investment Income	-	65,900	-	65,900
Proceeds/(Purchase) of Investments	7,906,023	6,177	-	7,912,200
Net Cash Provided by (Used for) Investing Activities	7,906,023	72,077	-	7,978,100
Net Increase (Decrease) in Cash and Cash Equivalents	7,411,306	413,250	651,571	8,476,127
Cash and Cash Equivalents at Beginning of Year	2,396,791	3,328,340	1,606,465	7,331,596
Cash and Cash Equivalents at End of Year	\$ 9,808,097	\$ 3,741,590	\$ 2,258,036	\$ 15,807,723

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, 2007**

		Business-Type Activities Enterprise Funds		
	Sewer Fund	Electric Light Fund (as of December 31, 2006)	Community Cablevision Fund (as of December 31, 2006)	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$	(226,988)	\$ 1,635,609	\$ 1,848,496
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation		312,304	1,324,306	1,508,758
Change in Assets and Liabilities:				
Increase (Decrease) in Accounts Payable	(16,498)	565,226	(3,960)	544,768
Increase (Decrease) in Accrued Payroll	(856)	-	-	(856)
Increase (Decrease) in Compensated Absences	(1,398)	(2,747)	11,278	7,133
Decrease (Increase) in Materials and Supplies	-	(61,172)	(23,547)	(84,719)
Decrease (Increase) in Prepaid Expenses	-	(1,114,017)	(21,649)	(1,135,666)
Decrease (Increase) in Other Accounts Receivable	-	(730,415)	-	(730,415)
Decrease (Increase) in Customer Accounts Receivable	(8,386)	(146,839)	(67,480)	(222,705)
Total Adjustments	285,166	(165,658)	1,403,400	1,522,908
Net Cash Provided by (Used for) Operating Activities	\$ 58,178	\$ 1,469,951	\$ 3,251,896	\$ 4,780,025

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, 2007**

	SHREWSBURY		
	Employees Retirement System Pension Trust Fund		
	(as of December 31, 2006)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 501,818	\$ 3,984	\$ 1,032,033
Investments	60,721,096	331,729	30,652
Accrued Interest and Dividends	6,568	-	-
Total Assets	61,229,482	335,713	1,062,685
LIABILITIES			
Warrants Payable	86,741	-	72
Due to Others	-	-	71,196
Due to Student Groups	-	-	275,417
Escrows and Deposits	-	-	716,000
Total Liabilities	86,741	-	1,062,685
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	\$ 61,142,741	\$ 335,713	\$ -

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, 2007**

	SHREWSBURY	
	Employees	
	Retirement	
	System Pension	
	Trust Fund	Private
	(as of December	Purpose
	31, 2006)	Trust Funds
Additions		
Contributions:		
Employers	\$ 2,306,846	\$ -
Plan Members	1,823,183	-
Transfers/Reimbursements from Other Systems	303,785	-
Federal Grant Reimbursements	2,976	-
Commonwealth of Massachusetts - COLA	203,208	-
Private Donations	-	50,940
Total Contributions	4,639,998	50,940
Investment Income:		
Interest & Dividends	967,717	9,662
Net Change in Fair Value of Investments	5,957,074	4,704
Total Investment Earnings	6,924,791	14,366
Less Investment Expense	(375,355)	-
Net Investment Earnings	6,549,436	14,366
Total Additions	11,189,434	65,306
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	3,959,826	-
Refunds to Members	162,400	-
Transfers to Other Systems	630,012	-
Educational Scholarships	-	21,449
Charitable Expenses	-	45
General Expenses	76,990	-
Total Deductions	4,829,228	21,494
Change in Net Assets	6,360,206	43,812
Net Assets at Beginning of Year	54,782,535	291,901
Net Assets at End of Year	\$ 61,142,741	\$ 335,713

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

Fiduciary funds are reported by fund type.

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

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

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

The government reports the following major governmental funds:

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

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

The *new fire station headquarters construction fund* is used to account for financial resources to construct a fire station headquarters.

The *middle school renovation fund* is used to account for financial resources to remodel, reconstruct and make repairs to the old high school for use as 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 government reports the following major proprietary funds:

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

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

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

D. Cash and Cash Equivalents

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

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

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

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

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

All investments are carried at fair value.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

F. Receivables

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

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

Property taxes are based on assessments as of January 1, 2006 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2007 on June 30, 2006, that were due on August 1, 2006 and November 1, 2006 and actual bills on December 26, 2006 that were due on February 1, 2007 and May 1, 2007.

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 2007 is \$44,890,995 consisting of a base of \$41,121,544 and a debt exclusion of \$3,769,451. The total amount raised by taxation was \$44,644,721.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Excise Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel 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 Board of Assessors of the Town is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

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

User Charges

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

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

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

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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Due from Other Governments

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

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

G. Materials and Supplies

Material and supplies in the business-type activities consists of parts and accessories purchased for use in the utility business for construction, operation, maintenance and installation purposes and are stated at cost.

H. Prepaid Expenses

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

I. Capital Assets

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

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

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

<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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

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

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

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

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

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

J. Restricted Cash and Cash Equivalents

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

- The *depreciation fund* is restricted to specific uses by the General Laws of Massachusetts.
- The *rate stabilization reserve fund* was created as an aftermath of deregulation. These funds are 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. This fund may also be used to help maintain a competitive position with investor-owned utilities when they are no longer collecting their stranded costs.
- The *investment in other companies fund* is used to hold funds of the electric light fund's equity requirements for the Hydro-Quebec

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

phase II interconnection as required under agreements with the New England Hydro-Transmission Electric Company, Inc. and the New England Hydro-Transmission Corporation.

K. Interfund Transfers

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

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

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

L. Deferred Revenue

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

M. Net Assets and Fund Equity

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

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted for 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

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

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

General Fund:		
Undesignated Fund Balance:		\$ 2,370,974
Nonmajor Governmental Funds:		
Sale of cemetery lots	18,000	
Septic loan repayment fund	15,128	
Coal ash reserve	530,000	
Interest on school borrowing	500,000	
Sale of real estate	96,402	
Gifts	150,000	1,309,530
		<u>\$ 3,680,504</u>

N. Long-term Debt

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

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

O. Compensated Absences

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

P. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2007, the expense/expenditure totaled approximately \$1,387,574. There were approximately 399 participants eligible to receive benefits at June 30, 2007.

Q. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

-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 for 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 2007, the Town incurred a final budget deficit of \$5,900,773 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	\$ 1,676,026
Prior year's encumbrances	4,224,747
	<u>\$ 5,900,773</u>

B. Deficit Fund Equity

The following funds had deficits at June 30, 2007 as measured by the balances of unreserved fund balance.

- The Allen farm property acquisition fund had a deficit fund balance of \$6,031,125. The Town has bond anticipation notes outstanding for \$6,100,000. The deficit will be eliminated when the long term debt is issued.
- The new fire headquarters construction fund had a deficit fund balance of \$2,467,902. The Town has bond anticipation notes outstanding for \$6,000,000. The deficit will be eliminated when the long term debt is issued.
- The middle school renovation fund had a deficit fund balance of \$1,250,473. The Town has bond anticipation notes outstanding for \$1,278,307. The deficit will be eliminated when the long term debt is issued.

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- The water tank capital project fund had a deficit fund balance of \$124,571. The Town has authorized remaining borrowings in the amount of \$1,250,000. 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 to it. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2007 were \$13,567,012. Of these, \$12,531,044 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 to it. The System does not have a deposit policy for custodial credit risk.

Deposits at December 31, 2006 were \$522,554. Of these, \$3,323 were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – Town Financials

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

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

As of June 30, 2007, the Town had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. government agencies	\$ 35,045,560	\$ 6,842,494	\$ 20,527,548	\$ 7,675,518
Corporate bonds	898,209	-	898,209	-
Money market mutual fund	754,663	754,663	-	-
	<u>36,698,432</u>	<u>7,597,157</u>	<u>21,425,757</u>	<u>7,675,518</u>
Other Investments:				
MMDT	2,960,308			
	<u>\$ 39,658,740</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 \$39,658,740 in investments, \$36,198,432 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, 2007 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings			Not Rated
		Aaa	Aa2	A3	
Debt Securities:					
U. S. government agencies	\$ 35,045,560	\$ 30,236,809	\$ 395,252	\$ -	\$ 4,413,499
Corporate bonds	898,209	-	-	898,209	-
Money market mutual fund	754,663	-	-	-	754,663
	<u>\$ 36,698,432</u>	<u>\$ 30,236,809</u>	<u>\$ 395,252</u>	<u>\$ 898,209</u>	<u>\$ 5,168,162</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 and Federal National Mortgage Association amounting to 13.77%, 35.56% and 35.13%, respectively, of the Town's total investments.

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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.

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

As of June 30, 2007, the System had the following investments and maturities:

Investment Type	Fair Value	Maturity in Years	
		Less Than a Year	More than 10
Debt Securities:			
Money market mutual funds	\$ 1,624,527	\$ 1,624,527	\$ -
Bond mutual fund	14,768,603	-	14,768,603
	<u>16,393,130</u>	<u>1,624,527</u>	<u>14,768,603</u>
Other Investments:			
Equity securities - Domestic	13,963,940		
Equity mutual funds - Domestic	16,706,244		
Equity mutual funds - International	8,381,019		
Pooled real estate funds	5,276,763		
	<u>\$ 60,721,096</u>		

The bond mutual fund has an average maturity of 10.18 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 \$60,721,096 in investments, \$13,463,939 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
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The System's exposure to credit risk as of June 30, 2007 is as follows:

Related Debt Instruments	Moody Quality Ratings		
	Fair Value	AAA	Not Rated
Money market mutual fund	\$ 1,624,527	\$ -	\$ 1,624,527
Bond mutual fund	14,768,603	14,768,603	-
	<u>\$ 16,393,130</u>	<u>\$ 14,768,603</u>	<u>\$ 1,624,527</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.

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

B. Receivables

At June 30, 2007, 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	\$ 598,059	\$ (32,959)	\$ 565,100
Deferred property taxes	21,604	-	21,604
Taxes in litigation	11,055	-	11,055
Tax liens	180,189	(14,988)	165,201
Excise taxes	573,972	(274,000)	299,972
User charges	303,890	(5,000)	298,890
Special assessments	454,241	-	454,241
Due from other governments	49,609,643	-	49,609,643
	<u>\$ 51,752,653</u>	<u>\$ (326,947)</u>	<u>\$ 51,425,706</u>

At June 30, 2007 and (December 31, 2006 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

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	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Sewer activities:			
Sewer user charges	\$ 200,662	\$ (5,000)	\$ 195,662
Sewer special assessments	1,148,761	-	1,148,761
	1,349,423	(5,000)	1,344,423
Electric light activities:			
User charges	2,156,413	(107,617)	2,048,796
Other	790,631	-	790,631
	2,947,044	(107,617)	2,839,427
Cablevision activities:			
Cablevision	997,117	(77,915)	919,202
	<u>\$ 5,293,584</u>	<u>\$ (190,532)</u>	<u>\$ 5,103,052</u>

The composition of amounts due from other governments as of June 30, 2007 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

School Building Authority:

School Building Assistance - Capital Portion \$ 46,222,385

Middle School Renovation Fund:

Commonwealth of Massachusetts:

School Building Authority:

School Building Assistance - Capital Portion 1,658,309

Nonmajor Governmental Funds:

U. S. Department of Education

School title grants \$ 95,756

U. S. Department of Transportation

Highway safety grant 3,782

Commonwealth of Massachusetts:

Department of Business and Technology:

Lake Street Recreation Area grant 10,000

Department of Conservation and Recreation:

Jordan Pond Walking Trail Grant 102,295

Department of Education:

School grants 1,003

Massachusetts Highway Department:

Chapter 90 funded projects 1,516,113

1,728,949

\$ 49,609,643

Business Type Funds:

Sewer Fund:

Massachusetts Water Pollution Abatement Trust \$ 71,158

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The composition of other receivables in the electric light enterprise fund as of December 31, 2006 is as follows:

SELCO - Cable	\$	77,960
Due from town departments		114,659
Other		5,115
MMWEC		592,897
		592,897
	\$	790,631

The accounts receivable from the town departments and SELCO – Cable are for reimbursements to SELCO – Electric for costs in connection with shared operating expenses.

The accounts receivable from MMWEC consists of money received in January of 2007 relating to Select Energy buyout credits.

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2007 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 \$331,970.

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

General Fund:		
Deferred property taxes	\$	21,604
Taxes in litigation		11,055
Tax liens		165,201
Excise taxes		299,972
User charges		298,890
Special assessments		259,504
Due from other governments		46,222,385
	\$	47,278,611
Nonmajor Governmental Funds:		
Special assessments		1,658,309
Nonmajor Governmental Funds:		
Special assessments		194,737
Due from other governments		1,493,743
	\$	1,688,480
		50,625,400

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C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 14,594,989	\$ 24,076	\$ -	\$ 14,619,065
Construction in progress	-	4,563,721		4,563,721
Total capital assets not being depreciated	14,594,989	4,587,797	-	19,182,786
Capital assets being depreciated:				
Buildings and Renovations	111,497,516	192,200	-	111,689,716
Machinery, equipment and other	4,625,088	1,286,176	(19,000)	5,892,264
Infrastructure	19,387,532	178,390	-	19,565,922
Total capital assets being depreciated	135,510,136	1,656,766	(19,000)	137,147,902
Less accumulated depreciation for:				
Buildings and Renovations	21,702,420	3,785,504	-	25,487,924
Machinery, equipment and other	3,521,782	447,987	(19,000)	3,950,769
Infrastructure	4,625,732	589,902	-	5,215,634
Total accumulated depreciation	29,849,934	4,823,393	(19,000)	34,654,327
Total capital assets being depreciated, net	105,660,202	(3,166,627)	-	102,493,575
Total governmental activities capital assets, net	\$ 120,255,191	\$ 1,421,170	\$ -	\$ 121,676,361

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

Governmental Activities:	
General government	\$ 54,818
Public safety	270,984
Public works	793,682
Education	3,475,459
Health and human services	75,572
Culture and recreation	152,878
Total depreciation expense - governmental activities	<u>\$ 4,823,393</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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Sewer Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 552,085	\$ -	\$ 552,085
Total capital assets not being depreciated	-	552,085	-	552,085
Capital assets being depreciated:				
Machinery, equipment and other	301,424	224,888	-	526,312
Infrastructure	13,943,903	-	-	13,943,903
Total capital assets being depreciated	14,245,327	224,888	-	14,470,215
Less accumulated depreciation for:				
Machinery, equipment and other	202,159	37,506	-	239,665
Infrastructure	5,635,696	274,798	-	5,910,494
Total accumulated depreciation	5,837,855	312,304	-	6,150,159
Total capital assets being depreciated, net	8,407,472	(87,416)	-	8,320,056
Total business-type activities capital assets, net	\$ 8,407,472	\$ 464,669	\$ -	\$ 8,872,141

Electric light activities
(as of December 31, 2006)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 114,359	\$ -	\$ -	\$ 114,359
Construction in progress	70,451	1,201,097	-	1,271,548
Total capital assets not being depreciated	184,810	1,201,097	-	1,385,907
Capital assets being depreciated:				
Electric utility plant	44,143,544	913,204	(148,211)	44,908,537
Total capital assets being depreciated	44,143,544	913,204	(148,211)	44,908,537
Less accumulated depreciation for:				
Electric utility plant	21,796,602	1,324,306	(148,211)	22,972,697
Total accumulated depreciation	21,796,602	1,324,306	(148,211)	22,972,697
Total capital assets being depreciated, net	22,346,942	(411,102)	-	21,935,840
Total business-type activities capital assets, net	\$ 22,531,752	\$ 789,995	\$ -	\$ 23,321,747

TOWN OF SHREWSBURY, MASSACHUSETTS
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Cablevision activities
(as of December 31, 2006)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 33,929	\$ -	\$ (33,929)	-
Total capital assets not being depreciated	33,929	-	(33,929)	-
Capital assets being depreciated:				
Plant investment	25,922,842	1,712,111	-	27,634,953
Total capital assets being depreciated	25,922,842	1,712,111	-	27,634,953
Less accumulated depreciation	12,507,646	1,508,758	-	14,016,404
Total capital assets being depreciated, net	13,415,196	203,353	-	13,618,549
Total business-type activities capital assets, net	\$ 13,449,125	\$ 203,353	\$ (33,929)	\$ 13,618,549

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

Business-Type Activities:

Sewer enterprise fund	\$ 312,304
Electric light enterprise fund	1,324,306
Cablevision enterprise fund	1,508,758
Total depreciation expense - business-type activities	<u>\$ 3,145,368</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Stabilization fund	Nonmajor governmental fund	
General fund	\$ -	\$ 388,348	\$ 1,767,533	\$ 2,155,881
Nonmajor governmental funds	1,694,807	-	-	1,694,807
Business-type funds	429,195	-	-	429,195
Total transfers out	<u>\$ 2,124,002</u>	<u>\$ 388,348</u>	<u>\$ 1,767,533</u>	<u>\$ 4,279,883</u>

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.

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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, 2006	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2007
Bond Anticipation Notes:						
School renovations	3.75%	08/11/06	\$ 1,278,307	\$ -	\$ 1,278,307	\$ -
Land acquisition	4.50%	11/22/06	6,100,000	-	6,100,000	-
School renovations	3.92%	10/11/06	-	1,278,307	1,278,307	-
School renovations	3.89%	12/11/06	-	1,278,307	1,278,307	-
Land acquisition	4.00%	11/21/07	-	6,100,000	-	6,100,000
School renovations	3.80%	01/11/07	-	1,278,307	1,278,307	-
Fire station renovations	4.00%	11/21/07	-	6,000,000	-	6,000,000
School renovations	5.40%	02/09/07	-	1,278,307	1,278,307	-
School renovations	5.40%	03/09/07	-	1,278,307	1,278,307	-
School renovations	5.40%	04/09/07	-	1,278,307	1,278,307	-
School renovations	5.40%	05/09/07	-	1,278,307	1,278,307	-
School renovations	5.40%	06/08/07	-	1,278,307	1,278,307	-
School renovations	5.40%	07/06/07	-	1,278,307	-	1,278,307
Purchase of fire truck	3.90%	07/06/07	-	793,297	-	793,297
			<u>\$ 7,378,307</u>	<u>\$ 24,398,060</u>	<u>\$ 17,604,763</u>	<u>\$ 14,171,604</u>

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2007
Bond Anticipation Notes:						
Electric system improvement	4.00%	09/14/07	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000

F. Long Term Debt

General Obligation Bonds

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

Governmental Funds

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2007
Inside Debt:					
Land Acquisition - Conservation	4.74%	06/01/99	06/01/19	3,000,000	\$ 1,760,000
Land Acquisition - High School	4.75%	06/01/99	06/01/19	2,400,000	1,440,000
Senior Center	4.36%	06/01/99	06/01/09	1,000,000	200,000
High School Construction	4.46%	08/15/01	08/15/21	58,900,000	46,120,000
Land Acquisition - Conservation	4.35%	08/15/01	08/15/19	2,000,000	1,430,000
School Renovations - Middle School West	4.05%	11/15/04	11/15/24	7,400,000	6,660,000
School Addition - Parker Road Preschool	3.72%	11/15/04	11/15/19	1,250,000	1,080,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	514,850	456,100
Total Inside Debt					<u>59,146,100</u>
Outside Debt:					
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	4,520,750	3,995,750
Massachusetts Water Pollution					
Abatement Trust:					
Septic - Title V	N/A	10/25/00	08/01/18	86,947	57,962
Septic - Title V	N/A	02/01/04	08/01/22	105,896	88,911
Septic - Title V	N/A	11/16/05	07/15/25	94,573	89,844
Total Outside Debt					<u>4,232,467</u>
Total governmental type debt					<u>\$ 63,378,567</u>

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

	Governmental	Principal	Interest	Total
2008	\$	4,567,628	\$ 2,892,252	\$ 7,459,880
2009		4,559,128	2,702,802	7,261,930
2010		4,450,478	2,496,680	6,947,158
2011		4,445,128	2,294,141	6,739,269
2012		4,435,128	2,089,484	6,524,612
2013-2017		21,485,361	7,342,309	28,827,670
2018-2022		18,301,134	2,438,621	20,739,755
2023-2026		1,134,582	74,836	1,209,418
	<u>\$</u>	<u>63,378,567</u>	<u>\$ 22,331,125</u>	<u>\$ 85,709,692</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
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Sewer, Electric Light and Cablevision Enterprise Funds

Business-type debt

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2007
Sewer activities:					
Inside Debt:					
Massachusetts Water Pollution Abatement Trust - Assebet River consortium	N/A	07/15/01	02/01/21	490,127 \$	245,706
Assebet River consortium	N/A	07/23/05	07/15/20	168,653	<u>168,653</u>
					<u>414,359</u>
Electric light activities: (as of December 31, 2006)					
Inside Debt:					
Building renovations	4.55%	02/01/05	02/01/10	309,400	306,300
Outside Debt:					
Installation of transformers	4.56%	08/15/01	08/15/17	1,760,000	<u>1,210,000</u>
					<u>1,516,300</u>
Cablevision activities: (as of December 31, 2006)					
Outside Debt:					
Plant	4.56%	06/01/99	06/01/14	5,300,000	<u>2,815,000</u>
Total Business-Type Funds					<u>\$ 4,745,659</u>

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

Year	Principal	Interest	Total
2008	\$ 14,143	\$ 12,160	\$ 26,303
2009	27,477	11,610	39,087
2010	27,942	11,204	39,146
2011	28,398	10,418	38,816
2012	29,065	9,647	38,712
2013-2017	154,981	33,580	188,561
2018-2021	132,353	7,477	139,830
	<u>\$ 414,359</u>	<u>\$ 96,096</u>	<u>\$ 510,455</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Debt service requirements for principal and interest for the electric light enterprise fund as of June 30, 2007 are as follows: (The electric light enterprise bonds at June 30, 2007, reflect a principal payment of \$78,150 made on February 1, 2007).

Year	Principal	Interest	Total
2008	\$ 187,500	\$ 64,045	\$ 251,545
2009	186,000	56,770	242,770
2010	184,650	48,989	233,639
2011	110,000	41,250	151,250
2012	110,000	35,750	145,750
2013-2017	550,000	96,250	646,250
2018	110,000	2,750	112,750
	<u>\$ 1,438,150</u>	<u>\$ 345,804</u>	<u>\$ 1,783,954</u>

Debt service requirements for principal and interest for the cablevision enterprise fund as of June 30, 2007 are as follows: (The cablevision enterprise bonds at June 30, 2007, reflect a principal payment of \$355,000 on June 1, 2007).

Year	Principal	Interest	Total
2008	\$ 355,000	\$ 114,370	\$ 469,370
2009	355,000	98,750	453,750
2010	350,000	82,775	432,775
2011	350,000	66,675	416,675
2012	350,000	50,400	400,400
2013-2014	700,000	50,750	750,750
	<u>\$ 2,460,000</u>	<u>\$ 463,720</u>	<u>\$ 2,923,720</u>

During the fiscal year ended June 30, 2007 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2006), the following changes occurred in long-term liabilities

**TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 67,698,700	\$ -	\$ 4,556,850	63,141,850	\$ 4,552,500
Massachusetts Water Pollution Abatement Trust	251,845	-	15,128	236,717	15,128
Compensated absences	1,186,685	53,112	-	1,239,797	415,300
Governmental activity					
Long-term liabilities	<u>\$ 69,137,230</u>	<u>\$ 53,112</u>	<u>\$ 4,571,978</u>	<u>\$ 64,618,364</u>	<u>\$ 4,982,928</u>

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
Business type activities:					
Bond Payable:					
General obligation bonds	\$ 4,869,400	\$ -	\$ 538,100	\$ 4,331,300	\$ 543,150
Massachusetts Water Pollution Abatement Trust	259,586	168,653	13,880	414,359	14,143
Compensated absences	122,791	7,133	-	129,924	122,846
Business-type activity long term					
Long-term liabilities	<u>\$ 5,251,777</u>	<u>\$ 175,786</u>	<u>\$ 551,980</u>	<u>\$ 4,875,583</u>	<u>\$ 680,139</u>

Massachusetts Water Pollution Abatement Trust

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

- a gross obligation of \$128,234 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$41,287 resulting in a net loan repayment of \$86,947.
- a gross obligation of \$768,508 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$320,919 resulting in a net loan repayment of \$447,589.
- a gross obligation of \$155,178 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$49,282 resulting in a net loan repayment of \$105,896.
- a gross obligation of \$94,573 representing the gross principal repayment amounts.
- a gross obligation of \$168,653 representing the gross principal repayment amounts.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

	No. 97-1055			Less: Loan	Net
	Principal	Interest	Total	Subsidy	Loan
				Amount	Repayments
Initial Loan					
Obligation	\$ 86,947	\$ 41,287	\$ 128,234	\$ 41,287	\$ 86,947
Repayments:					
Fiscal Year 2001	-	1,032	1,032	1,032	-
Fiscal Year 2002	4,831	3,774	8,605	3,774	4,831
Fiscal Year 2003	4,831	3,580	8,411	3,580	4,831
Fiscal Year 2004	4,831	3,387	8,218	3,387	4,831
Fiscal Year 2005	4,831	3,194	8,025	3,194	4,831
Fiscal Year 2006	4,830	3,001	7,831	3,001	4,830
Fiscal Year 2007	4,831	2,783	7,614	2,783	4,831
	<u>\$ 57,962</u>	<u>\$ 20,536</u>	<u>\$ 78,498</u>	<u>\$ 20,536</u>	<u>\$ 57,962</u>

	No. 00-24			Less: Loan	Net
	Principal	Interest	Total	Subsidy	Loan
				Amount	Repayments
Initial Loan					
Obligation	\$ 490,127	\$ 278,381	\$ 768,508	\$ 320,919	\$ 447,589
Loan Restructure	(165,987)	(89,932)	(255,919)	(104,517)	(151,402)
	<u>324,140</u>	<u>188,449</u>	<u>512,589</u>	<u>216,402</u>	<u>296,187</u>
Repayments:					
Fiscal Year 2002	3,939	12,011	15,950	8,711	7,239
Fiscal Year 2003	20,355	23,195	43,550	21,245	22,305
Fiscal Year 2004	13,235	18,561	31,796	15,461	16,335
Fiscal Year 2005	13,403	12,901	26,304	12,465	13,839
Fiscal Year 2006	13,622	12,945	26,567	12,411	14,156
Fiscal Year 2007	13,880	12,740	26,620	12,266	14,354
	<u>\$ 245,706</u>	<u>\$ 96,096</u>	<u>\$ 341,802</u>	<u>\$ 133,843</u>	<u>\$ 207,959</u>

	No. 97-1055-1			Less: Loan	Net
	Principal	Interest	Total	Subsidy	Loan
				Amount	Repayments
Initial Loan					
Obligation	\$ 105,896	\$ 49,282	\$ 155,178	\$ 49,282	\$ 105,896
Repayments:					
Fiscal Year 2005	5,849	4,640	10,489	4,640	5,849
Fiscal Year 2006	5,568	4,557	10,125	4,557	5,568
Fiscal Year 2007	5,568	4,390	9,958	4,390	5,568
	<u>\$ 88,911</u>	<u>\$ 35,695</u>	<u>\$ 124,606</u>	<u>\$ 35,695</u>	<u>\$ 88,911</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

No. 97-1055-2

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 94,573	\$ -	\$ 94,573	\$ -	\$ 94,573
Repayments: Fiscal Year 2007	4,729	-	4,729	-	4,729
	<u>\$ 89,844</u>	<u>\$ -</u>	<u>\$ 89,844</u>	<u>\$ -</u>	<u>\$ 89,844</u>

No. CW-00-24-A

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 168,653	\$ -	\$ 168,653	\$ -	\$ 168,653
Repayments: None	-	-	-	-	-
	<u>\$ 168,653</u>	<u>\$ -</u>	<u>\$ 168,653</u>	<u>\$ -</u>	<u>\$ 168,653</u>

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, 2007 totaled \$59,788,609.

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, 2007:

Equalized Valuation-Real Estate and Personal Property (2006)	\$ 5,041,995,700
Debt Limit: 5 % of Equalized value	<u>\$ 252,099,785</u>
Total Debt Outstanding	
General Debt:	\$ 63,378,567
Less: Debt Outside Debt Limit	<u>4,232,467</u>
Business-type Debt:	\$ 4,312,509
Less: Debt Outside Debt Limit	<u>3,670,000</u>
Total Inside Debt	<u>\$ 59,788,609</u>
Inside Debt Excess Borrowing Capacity at June 30, 2007	<u>\$ 192,311,176</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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, 2007 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting	Purpose	Amount
02/16/00	Remodeling, Reconstructing and Repairs to the Existing Senior High School	\$ 3,358,307
09/09/02	Acquire land and buildings to the north of Hartford Turnpike also known as Route 20 and the Westerly side of South Street containing approximately 49 acres	6,100,000
10/18/05	Purchase a fire department aerial platform truck	800,000
10/18/05	Engineering, design, materials and installation of electric light 69V cable between Rolf Avenue and Johnson substations	1,000,000
04/25/06	Construct a new fire station	7,400,000
05/17/06	Construction of a new one million water tank	1,250,000
05/17/06	Water system improvements along Old Mill Road, Harrington Avenue, Route 9 and Maple	1,750,000
		<u>\$ 21,658,307</u>

G. Special Trust Funds

Stabilization Fund

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

At June 30, 2007, \$584,192 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

4. OTHER INFORMATION

A. Risk Management

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

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

B. Town Meeting – Fiscal Year 2008

Designated for Subsequent Years' Expenditures - The Town of Shrewsbury operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2007 do not reflect the fiscal year 2008 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on May 21, 2007 authorized a fiscal year 2008 operating and capital budget as follows:

From the tax levy	\$	80,826,928
From sewer fund		3,186,086
From electric light fund		480,792
From community cablevision fund		961,861
From continuing appropriations		200,000
From Other Available Funds:		
(Designated for Subsequent Years' Expenditures)		
General fund:		
Undesignated Fund Balance:		
(Free cash)		2,370,974
Nonmajor governmental funds:		
Cemetery sale of lots	\$	18,000
Septic loan repayment fund		15,128
Coal ash reserve		530,000
Interest on school borrowing		500,000
Sale of real estate		96,402
Gifts		150,000
		1,309,530
	\$	89,336,171

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

C. Contingent Liabilities

Litigation

Various cases are pending against the Town. 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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

Federal Financial Assistance

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

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

Electric Light Enterprise Fund – Power Sales Agreement

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

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

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

MMWEC has issued separate issues of bonds for each of the eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

the bonds relate plus available funds pledged under the Amended and Restated GBR with respect to the bonds of that project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the 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 any bond issue relating to any other Project.

MMWEC's 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, 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 a subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear units. In November 2005 the Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to July 31, 2035, and the license for Unit 3 was extended 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. In December 2005, the NRC issued an amendment to the operating license that extends the expiration date from October 2026 to March 2030, to recapture the period from 1986 to 1990 during which time Seabrook Station had an operating license, but did not operate. FPLE Seabrook has stated it intention to request an extension of the Seabrook Station operating license beyond March 2030.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are also 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 payable solely from Department revenues. Under the PSAs, each participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

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

As of December 31, 2006, total capital expenditures amounted to \$1,529,950,000, of which \$72,791,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allowed to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds

**TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

totaling \$714,635,000, of which \$35,608,000 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, 2006, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$869,179,000, of which \$43,404,000 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, 2006, and estimated for future years is shown below.

For years ended December 31, 2007	\$ 5,253,000
2008	4,963,000
2009	4,450,000
2010	4,077,000
2011	4,040,000
2012 to 2016	18,435,000
2017 to 2019	2,186,000
	<u><u>\$ 43,404,000</u></u>

In addition, the Department is required to pay 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 \$9,266,000 and \$8,905,000 for the years ended December 31, 2006 and 2005, respectively.

Cablevision Enterprise Fund – Commitments and Contingencies

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2014. The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2006:

2007	\$ 3,325,027
2008	2,188,512
2009	1,464,446
2010	1,003,134
2011	787,086
2012-2014	2,427,792
	<u><u>\$ 11,195,997</u></u>

Signal purchase expense under these contracts was \$3,587,084 and \$3,354,604 in 2006 and 2005.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

D. Pension Plan

Plan Description

The Town, as a member of the Shrewsbury Contributory Retirement System participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Shrewsbury Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$5,785,240 for the fiscal year ending June 30, 2007, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2006 is as follows

Active Members	651
Inactive Members	97
Retired Members, Beneficiaries and Survivors	<u>236</u>
	<u>984</u>

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, 2007, 2006 and 2005 is shown below, which equaled its required contribution for each fiscal year.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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)
01/01/06	\$ 54,148	\$ 75,979	\$ 21,831	71.3%	\$ 19,897	109.7%
01/01/04	50,857	65,277	14,419	77.9%	17,996	80.1%
01/01/02	46,779	59,313	12,534	78.9%	16,774	74.7%
01/01/00	48,072	49,487	1,415	97.1%	14,065	10.1%

The last actuarial valuation was prepared by Buck Consultants as of January 1, 2006. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% compounded annually and (b) projected salary, including longevity, increases of 5.5% per year per member.

The unfunded actuarial liability for the system is \$21,831,496.

Reporting Policies

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

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2007

	Fund Balances July 1, 2006	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2007
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 111,657	\$ 1,961,708	\$ 1,803,551	\$ -	\$ 269,814
Arts Lottery Council Grant	9,269	7,922	7,331	-	9,860
Elderly Programs	2,186	33,988	34,325	-	1,849
Extended Polling Hours	-	7,885	7,885	-	-
Health Tobacco Control Program	2,234	-	-	-	2,234
Highway Grants	-	507,588	507,588	-	-
Lakes and Ponds Grants	-	222,676	222,676	-	-
Library Grants	187,315	41,561	34,378	-	194,498
Public Safety Grants	262,231	146,589	215,649	(43,500)	149,671
Technical Assistance Grants	-	150,000	-	-	150,000
United States Postal Service Projects	4,378	-	-	-	4,378
Schools:					
School Lunch Program	88,307	2,054,269	1,923,483	-	219,093
School Lunch Commodities	-	73,139	73,139	-	-
Revolving Accounts	1,284,862	2,424,884	2,058,272	-	1,651,474
State Special Education Reimbursement Fund	202,533	1,455,966	902,087	-	756,412
Other:					
Arts Scholarship Revolving	564	-	-	-	564
Council on Aging Van Revolving	18,239	24,282	15,768	-	26,753
Coal Ash Reserve	1,272,267	57,915	-	(425,000)	905,182
Composting Revolving	2,268	2,475	-	(3,818)	925
Donahue Rowing Center Revolving	190	81,586	43,148	(34,216)	4,412
Filing Fees	199,334	73,616	66,881	-	206,069
Gifts	1,090,224	385,846	362,968	(50,000)	1,063,102
Home Farm Claims Settlement	47,758	-	-	(47,758)	-
Infiltration and Inflow	445,634	67,048	-	-	512,682
Insurance Reimbursements	655,757	10,676	8,722	(31,792)	625,919
Interest on School Borrowing	2,273,879	123,561	11,451	(805,036)	1,580,953
Law Enforcement Fund	24,253	1,716	1,469	-	24,500
Parks and Recreation Revolving	304,920	340,892	319,163	-	326,649
Plan and Security Deposits	157	-	-	(157)	-
Police Off Duty Revolving	12,000	138,745	147,331	-	3,414
Pump Grinder Program	16,074	26,626	36,575	-	6,125
Recycling Revolving	(59)	12,878	12,342	3,818	4,295
Total Special Revenue Page 65	\$ 8,518,431	\$ 10,436,037	\$ 8,816,182	\$ (1,437,459)	\$ 8,700,827

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2007

	Fund Balances July 1, 2006	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2007
Continued from Page 65	\$ 8,518,431	\$ 10,436,037	\$ 8,816,182	\$ (1,437,459)	\$ 8,700,827
Special Revenue (continued):					
Other (continued):					
Regional Drug Seizure	74,526	368	43,449	-	31,445
Sale of Cemetery Lots	22,461	20,384	-	(18,000)	24,845
Sale of Real Estate	290,622	-	-	(194,220)	96,402
Septic Loan Program	11,418	-	675	-	10,743
Septic Loan Repayment Fund	59,302	48,694	3,700	(15,128)	89,168
Surety Defaults	64,936	-	1,400	-	63,536
Traffic and Sewer Improvement Engineering	27,730	-	59	-	27,671
Rowing Center Fund	277,057	13,628	-	34,216	324,901
Workers Compensation Fund	42,048	-	-	-	42,048
Total Special Revenue Funds	9,388,531	10,519,111	8,865,465	(1,630,591)	9,411,586
Capital Projects:					
Fire Truck	-	-	768,205	794,615	26,410
Improvement of Water System	291,793	-	-	450,000	741,793
Lakeway State Grant	224,241	25,000	-	-	249,241
Land Acquisition Bonds	204,376	-	7,200	-	197,176
Parker Road Preschool	12,460	-	-	-	12,460
Public Works Projects	29,354	481,914	474,944	-	36,324
Route 9 Water System Improvements	-	-	21,810	488,702	466,892
School Construction	73,550	-	-	-	73,550
Senior Center	15,628	-	-	-	15,628
Senior High School	72,393	-	2,860	-	69,533
Water Tank	-	-	124,571	-	(124,571)
Total Capital Projects	923,795	506,914	1,399,590	1,733,317	1,764,436
Permanent Funds:					
Cemetery Funds	1,027,637	81,172	23,837	(30,000)	1,054,972
Library Funds	639,045	32,459	39,523	-	631,981
Total Permanent Funds	1,666,682	113,631	63,360	(30,000)	1,686,953
Total - Non-Major Governmental Funds	\$ 11,979,008	\$ 11,139,656	\$ 10,328,415	\$ 72,726	\$ 12,862,975

**TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND
SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2006 TO JUNE 30, 2007**

	Uncollected Taxes July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2007	Uncollected Taxes Per Detail June 30, 2007
Real Estate Taxes:						
Levy of 2007	\$ -	\$ 44,307,861	\$ 435,794	\$ 43,405,926	\$ 466,141	\$ 466,029
Levy of 2006	408,486	-	98,881	295,545	14,060	14,060
Levy of 2005	2,195	-	13,543	(10,333)	(1,015)	(1,015)
Levy of 2004	980	-	981	46	(47)	(47)
Levy of 2003	572	-	-	-	572	572
Prior Years	313	-	1	-	312	312
	<u>412,546</u>	<u>44,307,861</u>	<u>549,200</u>	<u>43,691,184</u>	<u>480,023</u>	<u>479,911</u>
Personal Property Taxes:						
Levy of 2007	-	373,267	13,381	340,507	19,379	19,379
Levy of 2006	20,585	-	-	957	19,628	19,628
Levy of 2005	19,850	-	-	3	19,847	19,847
Levy of 2004	6,076	-	-	551	5,525	5,525
Levy of 2003	1,628	-	-	224	1,404	1,404
Prior Years	29,268	-	-	(2)	29,270	29,270
	<u>77,407</u>	<u>373,267</u>	<u>13,381</u>	<u>342,240</u>	<u>95,053</u>	<u>95,053</u>
Supplemental Taxes	24,665	146,245	-	147,927	22,983	22,983
Total Real Estate, Personal Property, and Supplemental Taxes	<u>\$ 514,618</u>	<u>\$ 44,827,373</u>	<u>\$ 562,581</u>	<u>\$ 44,181,351</u>	<u>\$ 598,059</u>	<u>\$ 597,947</u>
Deferred Property Taxes	\$ 45,500	\$ 4,002	\$ -	\$ 27,898	\$ 21,604	\$ 21,604

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2006 TO JUNE 30, 2007

	Uncollected Taxes July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2007	Uncollected Taxes Per Detail June 30, 2007
\$	-	\$ 4,022,616	\$ 128,501	\$ 3,713,276	\$ 180,839	\$ 180,687
Levy of 2007	162,860	605,141	57,508	648,560	61,933	61,933
Levy of 2006	61,692	21,039	7,721	41,749	33,261	33,261
Levy of 2005	32,476	1,460	4,068	4,389	25,479	25,479
Levy of 2004	25,052	-	-	1,228	23,824	23,824
Levy of 2003	251,204	33	386	2,215	248,636	248,636
Prior Years	533,284	4,650,289	198,184	4,411,417	573,972	573,820

Motor Vehicle Excise Taxes:

	Uncollected Taxes July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2007	Uncollected Taxes Per Detail June 30, 2007
\$	-	\$ 4,022,616	\$ 128,501	\$ 3,713,276	\$ 180,839	\$ 180,687
Levy of 1997	1,780	-	1,780	-	-	-
Levy of 1996	1,055	-	1,055	-	-	-
Levy of 1994	1,089	-	1,089	-	-	-
Levy of 1993	1,232	-	1,232	-	-	-
	5,156	-	5,156	-	-	-

Boat Excise Taxes:

	Uncollected Taxes July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2007	Uncollected Taxes Per Detail June 30, 2007
\$	538,440	\$ 4,650,289	\$ 203,340	\$ 4,411,417	\$ 573,972	\$ 573,820

**Total Motor Vehicle and
Boat Excise Taxes**

TOWN OF SHREWSBURY, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2006 TO JUNE 30, 2007

	Uncollected Accounts July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2007	Uncollected Accounts Per Detail June 30, 2007
Tax Liens	\$ 99,942	\$ 191,413	\$ 23,376	\$ 87,790	\$ 180,189	\$ 182,429
Taxes in Litigation	\$ 13,137	\$ 8,671	\$ -	\$ 10,753	\$ 11,055	\$ 11,055

TOWN OF SHREWSBURY, MASSACHUSETTS

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND INTERNAL CONTROL OVER
COMPLIANCE APPLICABLE TO MASSACHUSETTS
SCHOOL DISTRICTS – UNQUALIFIED OPINION
ON COMPLIANCE**

FOR THE YEAR ENDED JUNE 30, 2007

**TOWN OF SHREWSBURY, MASSACHUSETTS
END OF YEAR PUPIL AND FINANCIAL REPORT
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Thomas J. Scanlon CPA
C. Gregory Winters CPA
Thomas J. Scanlon Jr. CPA

8 Tina Drive
South Deerfield, MA. 01373
Tel: 413-665-4001
Fax: 413-665-0593

Thomas J. Scanlon & Associates
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO MASSACHUSETTS SCHOOL DISTRICTS –
UNQUALIFIED OPINION ON COMPLIANCE**

To The Honorable Board of Selectmen and School Committee
of the Town of Shrewsbury, Massachusetts

Compliance

We have audited the compliance of the School Department of the Town of Shrewsbury, Massachusetts, with the types of compliance requirements described in the Massachusetts Department of Education's Compliance Supplement applicable to Massachusetts School Districts for the year ended June 30, 2007. Compliance with the requirements of laws, regulations, contracts, and grants applicable to Massachusetts School Districts is the responsibility of the School Department of the Town of Shrewsbury, Massachusetts' management. Our responsibility is to express an opinion on the School Department of the Town of Shrewsbury, Massachusetts' compliance based on our audit.

We conducted our audit of compliance 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 and the Massachusetts Department of Education Compliance Supplement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Massachusetts School Districts programs occurred. An audit includes examining, on a test basis, evidence about the School Department of the Town of Shrewsbury, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School Department of the Town of Shrewsbury, Massachusetts' compliance with those requirements.

In our opinion, the School Department of the Town of Shrewsbury, Massachusetts, complied as amended on March 24, 2008 and April 15, 2008, in all material respects, with the requirements referred to above that are applicable to Massachusetts School Districts for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the School Department of the Town of Shrewsbury, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with

requirements of laws, regulations, contracts, and grants applicable to Massachusetts School Districts. In planning and performing our audit, we considered the School Department of the Town of Shrewsbury, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on its ability to accurately report year-end information in accordance with Massachusetts DOE requirements in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, state funding agencies, and the Massachusetts Department of Education. However, this report is a matter of public record and its distribution is not limited.



Thomas J. Scanlon,
Certified Public Accountant

April 15, 2008

**TOWN OF SHREWSBURY, MASSACHUSETTS
END OF YEAR PUPIL AND FINANCIAL REPORT
LETTER OF COMMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

1. Classification of Salaries and Expenditures

We determined that the School Department has adopted the Department of Education's classification of salaries and expenses by program, function and object.

The School Department is utilizing the Department of Education's classifications. However, there is no formal written policy and procedure in place regarding the classification of salaries and expenditures.

Recommendation

We recommend the School Department develop a policy and procedure regarding the classification of salaries and expenditures by program, function and object and have it approved by the School Committee. Once established the policy and procedure should be reviewed periodically to assure it is up to date.

Management Response

Since the EOYR audit the district has established formal written procedures addressing the classifications referenced above. All classifications are assigned in accordance with DOE guidelines.

2. Overdrawn Budget Categories

We also checked the School Department's appropriation ledger by budget category using the Department of Education's classifications (E.g., Curriculum Directors, Guidance and Teachers Classroom). We noted that some of the budgeted categories were overdrawn at the time of the compliance audit. However, the total budget was not overdrawn.

Recommendation

We recommend the School Committee approve transfers from available funds within the School Department's budget to cover the overdrafts in the individual categories.

Management Response

The fiscal year was closed with a positive variance which was returned to the town for free cash certification.

**TOWN OF SHREWSBURY, MASSACHUSETTS
END OF YEAR PUPIL AND FINANCIAL REPORT
LETTER OF COMMENTS, Continued...
FOR THE YEAR ENDED JUNE 30, 2007**

3. Schedule 1 - Expenditures from Federal and State Grants

The expenditures from Federal and State grants were not reported using the modified accrual basis of accounting. This basis requires expenditures to be reported when the liability is incurred. Revenues and expenditures must be matched for the period being reported. Since the revenue is being reported on the modified accrual basis of accounting the expenditures should also be reported on the modified accrual basis.

Recommendation

We recommend expenditures for Federal and State grants be reported using the modified accrual basis of accounting.

4. Schedule 1 - Revolving and Special Funds

The expenditures from revolving and special funds were reported on the modified accrual basis of accounting however the revenue was not. The revenue was reported at the actual amount received. Revenues and expenditures must be matched for the period being reported. The actual expenditures made for the period should have been reported to match the actual revenue received that was reported.

Recommendation

We recommend the revenue and expenditures for the revolving and special funds be reported at actual amounts received and expended.

5. Schedule 1 - Expenditures by School Committee

The total amount of expenditures reported on line 1850 Total Expenditures by School Committee of \$39,808,790 is short from the amount of expenditures reported on the School Department and Municipal ledgers of \$39,838,704 by \$29,914.

Recommendation

We recommend the total expenditures reported on the End of Year Report line 1850 Expenditures by School Committee agree to the amount reported on the School Department and Municipal ledgers.