

TOWN OF SHREWSBURY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2005

TOWN OF SHREWSBURY, MASSACHUSETTS TABLE OF CONTENTS
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	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-12
BASIC FINANCIAL STATEMENTS:	
Governmental-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP)- Budget and Actual - General Fund	19
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23-24
Statement of Fiduciary Net Assets - Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	26

SUPPLEMENTARY INFORMATION

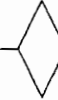
Governmental Funds by Fund Type:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	60-61
---	-------

Receivable Schedules:

Schedule of Real Estate, Personal Property, Rollback Taxes and Supplemental Taxes and Deferred Property Taxes	62
Schedule of Motor Vehicle and Boat Excise Taxes	63
Schedule of Tax Liens and Taxes in Litigation	64

Thomas J. Scanlon & Associates
Certified Public Accountants



Independent Auditors' Report

To the Honorable Board of Selectmen
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, 2005, (except for the Shrewsbury Contributory Retirement System, which is as of and for the year ended December 31, 2004), which collectively comprise the Town'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 an opinion on these financial statements based on our audit.

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 opinion.

In our opinion 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, 2005, (except for the Shrewsbury Contributory Retirement System, which is as of December 31, 2004), 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 March 3, 2006, 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 an opinion 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.

A handwritten signature in black ink, appearing to read 'T. Scanlon', with a long horizontal flourish extending to the right.

THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
March 3, 2006

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, 2005.

Financial Highlights

- The Town's assets exceeded its liabilities by \$165,733,899 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$161,627,808.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$123,788,913 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 \$6,746,158 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$35,198,828 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 \$4,272,856 this year. This compares to the prior year ending fund balance of \$5,137,024 showing a decrease of \$864,168 during the current year. Unreserved/undesignated fund balance of \$2,127,094 for fiscal year 2005 shows a \$208,275 decrease from the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$2,127,094, or 2.71% of total General Fund expenditures including transfers and 2.76% of total General Fund revenues including transfers.
- Total liabilities of the Town decreased by \$1,906,131 to \$115,215,964 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 statement 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		
	2005	2004	Change
Assets:			
Current assets	\$ 34,096,972	\$ 40,890,222	\$ (6,793,250)
Noncurrent assets (excluding capital assets)	48,042,145	48,870,096	(827,951)
Capital assets	122,966,369	114,758,231	8,208,138
Total assets	205,105,486	204,518,549	586,937
Liabilities:			
Current liabilities (excluding debt)	8,568,612	6,524,319	2,044,293
Noncurrent liabilities (excluding debt)	846,080	889,917	(43,837)
Current debt	22,971,872	31,225,680	(8,253,808)
Noncurrent debt	67,855,971	63,647,670	4,208,301
Total liabilities	100,242,535	102,287,586	(2,045,051)
Net Assets:			
Capital assets net of related debt	84,777,383	70,475,087	14,302,296
Restricted	6,746,158	17,143,958	(10,397,800)
Unrestricted	13,339,410	14,611,918	(1,272,508)
Total net assets	104,862,951	102,230,963	2,631,988
Business-Type Activities			
	2005	2004	Change
		(as restated)	
Assets:			
Current assets	\$ 30,377,911	\$ 29,525,388	\$ 852,523
Noncurrent assets (excluding capital assets)	1,202,328	1,008,226	194,102
Capital assets	44,264,138	43,697,740	566,398
Total assets	75,844,377	74,231,354	1,613,023
Liabilities:			
Current liabilities (excluding debt)	9,636,681	8,835,008	801,673
Noncurrent liabilities (excluding debt)	84,140	207,890	(123,750)
Current debt	551,722	548,403	3,319
Noncurrent debt	4,700,886	5,243,208	(542,322)
Total liabilities	14,973,429	14,834,509	138,920
Net Assets:			
Capital assets net of related debt	39,011,530	39,455,992	(444,462)
Unrestricted	21,859,418	19,940,853	1,918,565
Total net assets	60,870,948	59,396,845	1,474,103

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2005	2004	Change
Program Revenues:			
Charges for services	8,265,931	8,161,892	104,039
Operating grants and contributions	24,035,722	20,442,775	3,592,947
Capital grants and contributions	2,558,026	1,338,997	1,219,029
General Revenues:			
Property taxes	41,673,574	39,303,393	2,370,181
Motor vehicle excise and other taxes	4,690,326	4,248,227	442,099
Hotel room occupancy taxes	47,409	44,571	2,838
Penalties and interest on taxes	222,533	184,553	37,980
Nonrestricted grants	4,459,826	2,560,667	1,899,159
Unrestricted investment income	955,538	1,266,986	(311,448)
Net increase (decrease) in fair value of investments	111,821	(360,129)	471,950
Total revenues	87,020,706	77,191,932	9,828,774
Expenses:			
General government	5,317,810	5,041,846	275,964
Public safety	6,600,472	6,282,383	318,089
Public works (including water)	4,972,143	4,032,995	939,148
Education	45,901,106	41,287,455	4,613,651
Health and human services	2,336,019	2,134,453	201,566
Culture and recreation	2,145,994	2,072,711	73,283
Employee benefits and insurance	12,484,788	11,167,360	1,317,428
State assessments	597,728	479,694	118,034
Interest	3,883,329	3,865,996	17,333
Total expenses	84,239,389	76,364,893	7,874,496
Transfers	(149,329)	(139,274)	(10,055)
Change in net assets	2,631,988	687,765	1,944,223

	Business-Type Activities		
	2005	2004 as restated	Change
Program Revenues:			
Charges for services	\$ 37,264,909	\$ 37,401,164	\$ (136,255)
Operating grants and contributions	28,797	43,552	(14,755)
Total revenues	37,293,706	37,444,716	(151,010)
Expenses:			
Sewer	2,416,142	2,116,783	299,359
Electric light	25,968,032	26,576,655	(608,623)
Community Cablevision	7,584,758	6,813,786	770,972
Total expenses	35,968,932	35,507,224	461,708
Transfers	149,329	139,274	10,055
Change in net assets	1,474,103	2,076,766	(602,663)

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 \$165,733,899 at the close of FY2005.

Net assets of \$123,788,913 (75%) 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 \$6,746,158 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$35,198,828 (21%) 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 \$2,631,988 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures by \$2,781,317 and transfers to the business-type activities of \$149,329.

There was an increase of \$1,474,103 in net assets reported in connection with the sewer, electric light and community cablevision business-type activities. The sewer department increase of \$168,419 was attributable to operating costs exceeding revenues of \$478,622, non-operating revenues (expenses) of \$45 and a net general fund subsidy of \$646,996. The electric light department increase of \$186,100 was attributed to operating revenues exceeding operating expenditures of \$382,744, non-

operating revenues (expenses) of \$(81,038) less transfers to the general fund of \$115,606. The community cablevision increase of \$1,119,584 was attributed to operating revenue exceeding operating expenses of \$1,659,857, non-operating revenues (expenses) of (\$158,212) less transfers to the general of \$382,061.

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 \$4,272,856 a decrease of \$864,168 in comparison with the prior year.

The decrease was mainly due to expenditures exceeding revenues by \$9,364,839, net transfers to the business-type funds in the amount of \$149,329 and bond proceeds of \$8,650,000.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,272,856. Of this year-end total, \$2,127,094 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include \$4,658,522 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$3,468,532 reserved for the 2006 budget; \$7,570,708 in special revenue funds; (\$15,199,902) in capital project funds; and \$1,647,902 in permanent funds.

The deficit of \$(15,199,902) in the capital projects fund includes the middle school renovation fund and the Allen Farm property acquisition fund that ended the fiscal year 2005 with a negative fund balance of \$9,950,658 and \$6,024,719, respectively due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$18,300,000 in bond anticipation notes were outstanding on these projects. Permanent financing will be done once the project nears completion. At that time the deficit will be eliminated.

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$2,127,094, while total fund balance reached \$9,698,749. 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 2.71% of total general fund expenditures including transfers and total fund balance represents 12.35% of that same amount. Unreserved/undesignated fund balance represents 2.76% of total general fund revenues including transfers and total fund balance represents 12.58% of that same amount.

The fund balance of the general fund decreased by \$1,430,489. Of this amount \$2,169,990 was attributed to the expenditures over revenues, \$635,000 of transfers from the stabilization fund, \$149,329 of net transfers to the business-type funds and \$253,830 of net transfers from other non-major governmental funds.

The *Stabilization Fund* has accumulated a fund balance of \$341,427, or .43% of total general fund expenditures including transfers and .44% 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 decreased by \$611,194. Of this amount \$22,883 was attributed to interest income, \$923 net increase in fair value of investments and transfers out to the general fund for \$635,000. Please refer to Note 3G for additional information.

The *Senior High School Construction Fund* has a fund balance of \$256,856, or .33% of total general fund expenditures including transfers and .33% of total general fund revenues including transfers. The fund is used to account for the financial resources to construct a new high school.

The fund balance of the fund decreased by \$2,264,977. Of this amount \$2,264,977 was attributed to expenditures.

The *Middle School Renovation Fund* has a fund balance of (\$9,950,658), or (12.67%) of total General Fund expenditures including transfers and (12.90%) of total General Fund revenues including transfers. The fund is used to account for financial resources to construct a new middle school. The fund ended fiscal year 2005 with a negative fund balance of \$9,950,658 due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$12,200,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion.

The fund balance of the fund increased by \$1,838,593. Of this amount \$5,561,407 was attributed to expenditures and the proceeds of long term debt of \$7,400,000.

The *Allen Farm Property Acquisition fund* has a fund balance of \$(6,024,719), or (7.67%) of total General Fund expenditures including transfers and (7.81%) of total general fund revenues including transfers. The fund is used to account for financial resources to acquire the land and buildings situated in the Town. The fund ended fiscal year 2005 with a negative fund balance of \$6,024,719 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 \$19,527. Of this amount \$19,527 was attributed to expenditures.

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

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the Town's sewer system. The fund shows an increase of \$168,419, attributable to operational costs exceeding revenue by \$478,622, intergovernmental revenues (Massachusetts water pollution abatement trust subsidies) of \$12,465, interest expense of \$12,420 and a net general fund subsidy of \$646,996.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund shows an increase of \$186,100, attributed to operating revenues exceeding operating expenses of \$382,744, investment income of \$16,332, interest expense of \$97,370 and less transfers to the general of \$115,606.

The *Community Cablevision Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund shows an increase of \$1,119,584, attributed to operating revenue exceeding operating expenses of \$1,659,857, interest expense of \$158,212 less transfers to the general of \$382,061.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2005 was \$80,119,974. This was an increase of \$4,664,300 over the previous year's budget.

There was a negative variance in property taxes of \$141,144 attributed to a reduction in the collection of property taxes. There were negative variances in interest in investments and licenses, permits and fees of \$192,345 and \$148,773 attributed to estimating these budget line items too high in comparison to the actual.

There was an increase of \$675,311 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 for debt and interest of \$5,849, the repair, replacement and improvement of the municipal water system for \$150,000, highway and fuel expenses for \$523,000 and transfers to the sewer fund for the new salary schedule of \$3,538. Of the \$7,241,752 under budget expenditures \$4,658,522 has been carried over to fiscal year 2006.

A negative variance of \$1,619 exists in the education budget. This was attributed to the school department expenditures and encumbrances exceeding the amounts budgeted.

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, 2005 amounts to \$122,966,369 and \$44,264,138, 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:

- Roof repair to the Patton School for \$23,000.
- Police vehicles for \$100,697.
- A transport van for the public safety department for \$46,243.
- An emergency generator for the public safety department for \$20,600.
- A police boathouse for \$185,000.
- Three trucks for the public works department for \$87,600.
- A garage exhaust system for \$35,000.
- A snow blower for \$15,000.
- Various street reclamations for \$4,371,355.
- Renovations of the senior high school for \$2,264,976
- Renovations of the middle school west for \$17,280,260.
- Cemetery truck for \$33,600.

Construction in progress increases included the following:

- Construction continues on the Boston Turnpike water project; construction in progress during the year was \$821,886 with \$162,903 from fiscal year 2004.

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

- Construction in progress was completed in the community cablevision fund for \$184,858.
- Cable television capital assets of \$1,937,375 and electric light department capital assets of \$1,628,528.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2005, totaled \$72,433,270. The primary debt is education debt of \$68,140,600, senior center building debt of \$400,000, conservation land acquisition debt of \$3,725,000 and septic Title V debt of \$167,670. Debt also includes bond anticipation notes of \$18,394,573 consisting primarily of education debt of \$12,200,000, conservation debt of \$6,100,000 and septic Title V debt of \$94,573. The business-type funds have \$5,252,608 consisting of sewer debt of \$273,208, electric light debt of \$1,809,400 and community cablevision debt of \$3,170,000.

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, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 7,027,422	\$ 5,104,950	\$ 12,132,372
Investments	21,703,539	9,621,735	31,325,274
Receivables, net of allowance for uncollectibles:			
Property Taxes	673,680	-	673,680
Deferred Property Taxes	40,036	-	40,036
Taxes in Litigation	6,731	-	6,731
Tax Liens	316,350	-	316,350
Excise Taxes	292,830	-	292,830
User Charges	219,408	2,745,225	2,964,633
Departmental	1,120	-	1,120
Special Assessments	92,454	129,565	222,019
Due from Other Governments	3,723,402	-	3,723,402
Inventories	-	657,182	657,182
Prepaid Expenses	-	1,701,681	1,701,681
Restricted Cash and Investments:			
Depreciation Fund	-	3,277,494	3,277,494
Stranded Investment Fund	-	7,077,334	7,077,334
Investment in Other Companies	-	62,745	62,745
Total current assets	34,096,972	30,377,911	64,474,883
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	252,685	1,202,328	1,455,013
Due from Other Governments	47,789,460	-	47,789,460
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	15,580,943	114,359	15,695,302
Depreciable	107,385,426	44,149,779	151,535,205
Total noncurrent assets	171,008,514	45,466,466	216,474,980
Total Assets	205,105,486	75,844,377	280,949,863
LIABILITIES			
CURRENT:			
Warrants Payable	1,956,322	2,396,273	4,352,595
Accrued Payroll	3,021,158	92,556	3,113,714
Employee Withholdings	1,343,800	-	1,343,800
Tax Refund Payable	105,111	-	105,111
Taxes Collected in Advance	73,786	-	73,786
Accrued Interest	1,531,863	48,917	1,580,780
Accumulated Provision for Rate Refund	-	7,077,334	7,077,334
Other	254,545	-	254,545
Compensated Absences	282,027	21,601	303,628
Bond Anticipation Notes	18,394,573	-	18,394,573
Bonds Payable	4,577,299	551,722	5,129,021
Total current liabilities	31,540,484	10,188,403	41,728,887
NONCURRENT:			
Compensated Absences	846,080	84,140	930,220
Bonds Payable	67,855,971	4,700,886	72,556,857
Total noncurrent liabilities	68,702,051	4,785,026	73,487,077
Total Liabilities	100,242,535	14,973,429	115,215,964
NET ASSETS:			
Invested in Capital Assets, net of related debt	84,777,383	39,011,530	123,788,913
Restricted for:			
Capital Projects	593,900	-	593,900
Federal & State Grants	1,233,607	-	1,233,607
Permanent Funds	1,722,902	-	1,722,902
Other Purposes	3,195,749	-	3,195,749
Unrestricted	13,339,410	21,859,418	35,198,828
Total Net Assets	\$ 104,862,951	\$ 60,870,948	\$ 165,733,899

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, 2005**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 5,317,810	\$ 112,830	\$ -	\$ (4,839,354)	\$ -	\$ (4,839,354)
Public Safety	6,600,472	415,586	-	(5,391,386)	-	(5,391,386)
Public Works (including Water)	4,972,143	107,136	2,558,026	545,107	-	545,107
Education	45,901,106	16,651,338	-	(26,186,046)	-	(26,186,046)
Health and Human Services	2,336,019	196,195	-	(1,346,968)	-	(1,346,968)
Culture and Recreation	2,145,994	101,894	-	(1,645,961)	-	(1,645,961)
Employee Benefits and Insurance	12,484,788	4,582,717	-	(7,902,071)	-	(7,902,071)
State Assessments	597,728	-	-	(597,728)	-	(597,728)
Interest	3,883,329	1,868,026	-	(2,015,303)	-	(2,015,303)
Total Governmental Activities	84,239,389	24,035,722	2,558,026	(49,379,710)	-	(49,379,710)
Business-Type Activities:						
Sewer	2,416,142	12,465	-	-	(478,577)	(478,577)
Electric Light	25,968,032	16,332	-	-	301,706	301,706
Community Cablevision	7,584,758	-	-	-	1,501,645	1,501,645
Total Primary Government	\$ 120,208,321	\$ 24,064,519	\$ 2,558,026	(49,379,710)	1,324,774	(48,054,936)
General Revenues:						
Property Taxes				41,673,574	-	41,673,574
Motor vehicle and other excise taxes				4,690,326	-	4,690,326
Hotel Room Occupancy Taxes				47,409	-	47,409
Penalties & Interest on Taxes				222,533	-	222,533
Grants & Contributions not restricted to specific programs				4,459,826	-	4,459,826
Unrestricted Investment Income				955,538	-	955,538
Net Increase (Decrease) in Fair Value of Investments				111,821	-	111,821
Transfers, net				(149,329)	149,329	-
Total General Revenues and Transfers				52,011,698	149,329	52,161,027
Change in Net Assets				2,631,988	1,474,103	4,106,091
Net Assets:						
Beginning of year (as restated)				102,230,963	59,396,845	161,627,808
End of year				\$ 104,862,951	\$ 60,870,948	\$ 165,733,899

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

**TOWN OF SHREWSBURY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	Stabilization Fund	Senior High School Construction Fund	Middle School Renovation Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 1,294,876	\$ -	\$ -	\$ -	\$ 75,281	\$ 5,657,265	\$ 7,027,422
Investments	15,059,668	341,427	256,856	2,249,342	-	3,796,246	21,703,539
Receivables, net of allowance for uncollectibles:							
Property Taxes	673,680	-	-	-	-	-	673,680
Deferred Property Taxes	40,036	-	-	-	-	-	40,036
Taxes in Litigation	6,731	-	-	-	-	-	6,731
Tax Liens	316,350	-	-	-	-	-	316,350
Excise Taxes	292,830	-	-	-	-	-	292,830
User Charges	219,408	-	-	-	-	-	219,408
Departmental	672	-	-	-	-	448	1,120
Special Assessments	212,827	-	-	-	-	132,312	345,139
Due from Other Governments	49,870,416	-	-	-	-	1,642,446	51,512,862
Total Assets	\$ 67,987,494	\$ 341,427	\$ 256,856	\$ 2,249,342	\$ 75,281	\$ 11,228,717	\$ 82,139,117

LIABILITIES AND FUND BALANCE:

Liabilities:							
Warrants Payable	\$ 1,898,941	\$ -	\$ -	\$ -	\$ -	\$ 57,381	\$ 1,956,322
Accrued Payroll	2,816,378	-	-	-	-	204,780	3,021,158
Employee Withholdings	1,343,800	-	-	-	-	-	1,343,800
Tax Refund Payable	105,111	-	-	-	-	-	105,111
Taxes Collected in Advance	73,786	-	-	-	-	-	73,786
Accrued Interest on Short-Term Debt	350,919	-	-	-	-	-	350,919
Deferred Revenue:							
Property Taxes	485,995	-	-	-	-	-	485,995
Other	50,959,270	-	-	-	-	920,782	51,880,052
Other	254,545	-	-	-	-	-	254,545
Notes Payable	-	-	12,200,000	6,100,000	6,100,000	94,573	18,394,573
Total Liabilities	58,288,745	-	12,200,000	6,100,000	6,100,000	1,277,516	77,866,261
Fund Balance:							
Reserved For:							
Encumbrances and continuing appropriations	4,658,522	-	-	-	-	-	4,658,522
Unreserved:							
Designated for subsequent year's expenditures	2,913,133	170,000	-	-	-	385,399	3,468,532
Undesignated, reported in:							
General Fund	2,127,094	-	-	-	-	-	2,127,094
Special Revenue	-	171,427	-	-	-	7,399,281	7,570,708
Capital Projects	-	-	256,856	(9,950,658)	(6,024,719)	518,619	(15,199,902)
Permanent Funds	-	-	-	-	-	1,647,902	1,647,902
Total Fund Balance	9,698,749	341,427	256,856	(9,950,658)	(6,024,719)	9,951,201	4,272,856
Total Liabilities and Fund Balance	\$ 67,987,494	\$ 341,427	\$ 256,856	\$ 2,249,342	\$ 75,281	\$ 11,228,717	\$ 82,139,117

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, 2005**

	General Fund	Stabilization Fund	Senior High School Construction Fund	Middle School Renovation Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 41,137,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,137,960
State Receipts	18,852,906	-	-	-	-	-	18,852,906
Excise and Other Taxes	4,727,663	-	-	-	-	-	4,727,663
Licenses, Permits, Fees	4,755,227	-	-	-	-	-	4,755,227
Interest on Taxes	222,533	-	-	-	-	-	222,533
Investment Income:							
Interest	932,655	22,883	-	-	-	244,175	1,199,713
Net increase (decrease) in fair value of investments	110,898	923	-	-	-	(8,699)	103,122
Intergovernmental	4,590,551	-	-	-	-	-	4,590,551
Grants and Fees	-	-	-	-	-	11,520,319	11,520,319
Total Revenues	75,330,393	23,806	-	-	-	11,755,795	87,109,994
Expenditures:							
Current:							
General Government	5,205,048	-	-	-	19,527	63,047	5,287,622
Public Safety	6,108,068	-	-	-	-	530,734	6,638,802
Public Works (including Water)	5,885,638	-	-	-	-	2,741,828	8,627,466
Education	35,562,279	-	2,264,977	5,561,407	-	7,243,645	50,632,308
Health and Human Services	2,106,561	-	-	-	-	192,481	2,299,042
Culture and Recreation	1,626,307	-	-	-	-	348,783	2,295,090
Employee Benefits and Insurance	12,476,767	-	-	-	-	8,021	12,484,788
State Assessments	597,728	-	-	-	-	-	597,728
Debt Service:							
Principal	4,185,680	-	-	-	-	-	4,185,680
Interest	3,746,307	-	-	-	-	-	3,746,307
Total Expenditures	77,500,383	-	2,264,977	5,561,407	19,527	11,128,539	96,474,833
Excess of Revenues Over (Under) Expenditures	(2,169,990)	23,806	(2,264,977)	(5,561,407)	(19,527)	627,256	(9,364,839)
Other Financing Sources (Uses):							
Operating Transfers In	1,789,642	-	-	-	-	403,145	2,192,787
Operating Transfers Out	(1,050,141)	(635,000)	-	-	-	(656,975)	(2,342,116)
Bond Proceeds	-	-	-	7,400,000	-	1,250,000	8,650,000
Total Other Financing Sources (Uses)	739,501	(635,000)	-	7,400,000	-	996,170	8,500,671
Net Change in Fund Balances	(1,430,489)	(611,194)	(2,264,977)	1,838,593	(19,527)	1,623,426	(864,168)
Fund Balances, Beginning of Year	11,129,238	952,621	2,521,833	(11,789,251)	(6,005,192)	8,327,775	5,137,024
Fund Balances, End of Year	\$ 9,698,749	\$ 341,427	\$ 256,856	\$ (9,950,658)	\$ (6,024,719)	\$ 9,951,201	\$ 4,272,856

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, 2005

Total Governmental Fund Balances	\$	4,272,856
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		122,966,369
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		52,366,047
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payable	\$ (72,433,270)	
Compensated Absences	<u>(1,128,107)</u>	(73,561,377)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(1,180,944)</u>
Net Assets of Governmental Activities	\$	<u>104,862,951</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, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (864,168)

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	\$ 12,473,290	
Depreciation	<u>(4,265,152)</u>	8,208,138

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 (89,288)

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	\$ 4,185,680	
Net Loss on Refunding	(135,600)	
Proceeds from Bonds	<u>(8,650,000)</u>	(4,599,920)

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	\$ (21,352)	
Net Change in Accrued Interest on Long-Term Debt	<u>(1,422)</u>	(22,774)

Change in Net Assets of Governmental Activities \$ 2,631,988

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, 2005**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Taxes	\$ 41,064,901	\$ 41,064,901	\$ 40,923,757	\$ -	\$ (141,144)
State Receipts	18,554,260	18,554,260	18,852,906	-	298,646
Excise and Other Taxes	4,236,000	4,236,000	4,727,663	-	491,663
Licenses, Permits, Fees	4,904,000	4,904,000	4,755,227	-	(148,773)
Interest on Taxes	150,000	150,000	222,533	-	72,533
Interest on Investments	1,125,000	1,125,000	932,655	-	(192,345)
Total Revenues	70,034,161	70,034,161	70,414,741	-	380,580
Expenditures:					
Current:					
General Government	7,175,496	6,980,758	5,205,048	1,019,152	756,558
Public Safety	6,353,484	6,472,716	6,108,068	105,734	258,914
Public Works (including Water)	8,934,230	9,590,357	5,885,638	2,982,283	722,436
Education	35,941,525	35,941,525	35,562,279	380,865	(1,619)
Health and Human Services	2,230,025	2,254,121	2,106,561	41,593	105,967
Culture and Recreation	1,955,896	1,995,201	1,626,307	128,895	239,999
Employee Benefits and Insurance	8,264,661	8,290,101	7,894,050	-	396,051
State Assessments	694,057	694,057	597,728	-	96,329
Debt Service:					
Principal	4,186,525	4,192,374	4,185,680	-	6,694
Interest	3,708,764	3,708,764	3,706,863	-	1,901
Total Expenditures	79,444,663	80,119,974	72,878,222	4,658,522	2,583,230
Excess of Revenues Over (Under) Expenditures	(9,410,502)	(10,085,813)	(2,463,481)	(4,658,522)	2,963,810
Other Financing Sources (Uses):					
Operating Transfers In (Out)	612,191	764,502	739,501	-	(25,001)
Total Other Financing Sources (Uses)	612,191	764,502	739,501	-	(25,001)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,798,311)	(9,321,311)	(1,723,980)	(4,658,522)	2,938,809
Budgetary Fund Balance - Beginning of Year	11,870,747	11,870,747	11,870,747	-	-
Budgetary Fund Balance - End of Year	\$ 3,072,436	\$ 2,549,436	\$ 10,146,767	\$ (4,658,522)	\$ 2,938,809

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, 2005

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 70,414,741	\$ 72,878,222
Net Increase in Revenue from recording Refund Taxes Payable	175,534	
Net Increase in Expenditures - Accrued Expenses		31,610
Recognition of intergovernmental Revenue - "on behalf payments"	4,590,551	
Recognition of Expenditures - "on behalf payments"		4,590,551
Net Increase in Fair Value of Investments	110,898	
Net Increase in Revenue from Recording 60-Day Receipts	38,669	
Reported on a GAAP Basis	<u>\$ 75,330,393</u>	<u>\$ 77,500,383</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, 2005

	Business-Type Activities Enterprise Funds				Total
	Sewer Fund	Electric Light Fund	Community Cablevision Fund	Total	
ASSETS					
CURRENT:					
Cash and Cash Equivalents	\$ 1,633,810	\$ 3,146,171	\$ 324,969	\$ 5,104,950	
Investments	7,732,677	1,112,205	776,853	9,621,735	
User Charges, net of allowance for uncollectibles	133,605	1,902,157	709,463	2,745,225	
Special Assessments	129,565	-	-	129,565	
Inventory	-	195,305	461,877	657,182	
Prepaid Expenses	-	1,665,917	35,764	1,701,681	
Restricted Cash and Investments:					
Depreciation Fund	-	3,277,494	-	3,277,494	
Stranded Investment Fund	-	7,077,334	-	7,077,334	
Investment in Other Companies	-	62,745	-	62,745	
Total current assets	9,629,657	18,439,328	2,308,926	30,377,911	
NONCURRENT:					
Special Assessments	1,202,328	-	-	1,202,328	
Capital Assets, net of accumulated depreciation:					
Nondepreciable	-	114,359	-	114,359	
Depreciable	8,674,405	22,443,092	13,032,282	44,149,779	
Total noncurrent assets	9,876,733	22,557,451	13,032,282	45,466,466	
Total Assets	19,506,390	40,996,779	15,341,208	75,844,377	
LIABILITIES					
CURRENT:					
Accounts Payable	5,139	2,128,789	262,345	2,396,273	
Accrued Payroll	9,129	55,024	28,403	92,556	
Accrued Interest	5,394	31,478	12,045	48,917	
Accumulated Provision for Rate Refund	-	7,077,334	-	7,077,334	
Compensated Absences	2,263	10,866	8,472	21,601	
Bonds and Notes Payable	13,622	183,100	355,000	551,722	
Total current liabilities	35,547	9,486,591	666,265	10,188,403	
NONCURRENT:					
Compensated Absences	6,790	43,463	33,887	84,140	
Bonds and Notes Payable	259,586	1,626,300	2,815,000	4,700,886	
Total noncurrent liabilities	266,376	1,669,763	2,848,887	4,785,026	
Total Liabilities	301,923	11,156,354	3,515,152	14,973,429	
NET ASSETS:					
Invested in Capital Assets, net of related debt	8,401,197	20,748,051	9,862,282	39,011,530	
Unrestricted	10,803,270	9,092,374	1,963,774	21,859,418	
Total Net Assets	\$ 19,204,467	\$ 29,840,425	\$ 11,826,056	\$ 60,870,948	

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, 2005**

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Electric Light Fund	Community Cablevision Fund	Total	
Operating Revenues:					
Charges for Services	\$ 1,888,144	\$ 26,253,406	\$ 8,960,219	\$ 37,101,769	
Other	36,956	-	126,184	163,140	
Total Operating Revenues	1,925,100	26,253,406	9,086,403	37,264,909	
Operating Expenses:					
Salaries & Wages	222,957	2,339,798	1,157,175	3,719,930	
Operating Expenses	1,885,910	22,285,884	4,809,701	28,981,495	
Depreciation	294,855	1,244,980	1,459,670	2,999,505	
Total Operating Expenses	2,403,722	25,870,662	7,426,546	35,700,930	
Operating Income (Loss)	(478,622)	382,744	1,659,857	1,563,979	
Non-Operating Revenues (Expenses):					
Investment Income	-	16,332	-	16,332	
Intergovernmental	12,465	-	-	12,465	
Interest Expense	(12,420)	(97,370)	(158,212)	(268,002)	
Total Non-Operating Revenues (Expenses)	45	(81,038)	(158,212)	(239,205)	
Income (Loss) Before Operating Transfers	(478,577)	301,706	1,501,645	1,324,774	
Operating Transfers:					
Transfer In	646,996	-	-	646,996	
Transfers (Out)	-	(115,606)	(382,061)	(497,667)	
Total Operating Transfers	646,996	(115,606)	(382,061)	149,329	
Change in Net Assets	168,419	186,100	1,119,584	1,474,103	
Net Assets at Beginning of Year (as restated)	19,036,048	29,654,325	10,706,472	59,396,845	
Net Assets at End of Year	\$ 19,204,467	\$ 29,840,425	\$ 11,826,056	\$ 60,870,948	

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, 2005

Business-Type Activities
Enterprise Funds

	Sewer Fund	Electric Light Fund	Community Cablevision Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,095,628	\$ 26,194,613	\$ 9,002,062	\$ 37,292,303
Receipts from Other Revenues	36,956	-	126,184	163,140
Payments to Vendors	(1,881,075)	(21,786,243)	(4,925,877)	(28,593,195)
Payments to Employees	(216,929)	(2,449,040)	(1,140,564)	(3,806,533)
Net Cash Provided by (Used for) Operating Activities	34,580	1,959,330	3,061,805	5,055,715
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	646,996	(115,606)	(382,061)	149,329
Net Cash Provided by (Used for) Noncapital Financing Activities	646,996	(115,606)	(382,061)	149,329
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental Revenues	12,465	-	-	12,465
Acquisition and Construction of Capital Assets	-	(1,628,528)	(1,937,375)	(3,565,903)
Principal Payments on Bonds and Notes	(13,403)	(180,000)	(355,000)	(548,403)
Interest Expense	(12,901)	(93,150)	(159,455)	(265,506)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(13,839)	(1,901,678)	(2,451,830)	(4,367,347)
Cash Flows from Investing Activities:				
Investment Income	-	27,779	-	27,779
Proceeds/(Purchase) of Investments	(7,732,677)	(4,389,699)	(776,853)	(12,899,229)
Net Cash Provided by (Used for) Investing Activities	(7,732,677)	(4,361,920)	(776,853)	(12,871,450)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,064,940)	(4,419,874)	(548,939)	(12,033,753)
Cash and Cash Equivalents at Beginning of Year	8,698,750	7,566,045	873,908	17,138,703
Cash and Cash Equivalents at End of Year	\$ 1,633,810	\$ 3,146,171	\$ 324,969	\$ 5,104,950

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, 2005**

Business-Type Activities		Enterprise Funds		
Sewer Fund	Electric Light Fund	Community Cablevision Fund	Total	

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

Operating Income (Loss)	\$	(478,622)	\$	382,744	\$	1,659,857	1,563,979
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation		294,855		1,244,980		1,459,670	2,999,505
Change in Assets and Liabilities:							
Increase (Decrease) in Accounts Payable		4,835		467,859		103,975	576,669
Increase (Decrease) in Accrued Payroll		5,764		12,667		8,057	26,488
Increase (Decrease) in Compensated Absences		264		(121,909)		8,554	(113,091)
Decrease (Increase) in Inventories		-		(16,413)		(245,329)	(261,742)
Decrease (Increase) in Prepaid Expenses		-		48,195		25,178	73,373
Decrease (Increase) in Accounts Receivable		207,484		(58,793)		41,843	190,534
Total Adjustments		513,202		1,576,586		1,401,948	3,491,736
Net Cash Provided by (Used for) Operating Activities		\$ 34,580		\$ 1,959,330		\$ 3,061,805	\$ 5,055,715

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, 2005

	SHREWSBURY		
	Employees		
	Retirement		
	System Pension		
	Trust Fund	Private	Agency
	(as of December	Purpose	Funds
	31, 2004)	Trust Funds	Funds
ASSETS			
Cash and Cash Equivalents	\$ 216,503	\$ 40,076	\$ 3,227,395
Investments	50,428,301	272,163	-
Accrued Interest and Dividends	1,793	-	-
Accounts Receivable	211	-	-
Total Assets	50,646,808	312,239	3,227,395
LIABILITIES			
Warrants Payable	64,789	-	-
Due to Others	-	-	61,191
Due to Student Groups	-	-	225,521
Escrows and Deposits	-	-	2,940,683
Total Liabilities	64,789	-	3,227,395
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	\$ 50,582,019	\$ 312,239	\$ -

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, 2005**

	SHREWSBURY	
	Employees	
	Retirement	
	System Pension	
	Trust Fund	Private
	(as of December	Purpose
	31, 2004)	Trust Funds
Additions		
Contributions:		
Employers	\$ 1,601,647	\$ -
Plan Members	1,603,391	-
Transfers/Reimbursements from Other Systems	241,006	-
Federal Grant Reimbursements	31,997	-
Commonwealth of Massachusetts - COLA	101,111	-
Private Donations	-	27,775
Total Contributions	3,579,152	27,775
Investment Income:		
Interest & Dividends	472,577	10,153
Net Change in Fair Value of Investments	4,543,488	(354)
Total Investment Earnings	5,016,065	9,799
Less Investment Expense	(280,469)	-
Net Investment Earnings	4,735,596	9,799
Total Additions	8,314,748	37,574
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	3,606,521	-
Refunds to Members	164,066	-
Transfers to Other Systems	284,786	-
Educational Scholarships	-	26,570
Charitable Expenses	-	2,953
General Expenses	76,419	-
Total Deductions	4,131,792	29,523
Change in Net Assets	4,182,956	8,051
Nets Assets at Beginning of Year	46,399,063	304,188
Nets Assets at End of Year	\$ 50,582,019	\$ 312,239

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

account for assets held in a trustee capacity for others that cannot be used to support the government programs.

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

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

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

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

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

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

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

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

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

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

D. Cash and Cash Equivalents

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

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

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

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

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

All investments are carried at fair value.

F. Receivables

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

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

Property taxes are based on assessments as of January 1, 2004 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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 2005 on June 30, 2004, that were due on August 2, 2004 and November 1, 2004 and actual bills on December 31, 2004 that were due on February 1, 2005 and May 2, 2005.

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 2005 is \$41,425,381 consisting of a base of \$37,653,331 and a debt exclusion of \$3,772,050. The total amount raised by taxation was \$41,399,263.

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

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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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.

Departmental

Departmental receivables consist of cemetery perpetual care and cemetery sale of lots receipts due from decedents.

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

Special Assessments

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

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

Due from Other Governments

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

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

G. Inventories

Inventories 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

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

Capital assets (excluding land) 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.

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 *stranded investment fund* is used to deposit funds raised through a surcharge to cover stranded costs as they become due. The United States electric utility industry is undergoing rate deregulation that will increase competition in the generation and sale of power. As part of this transition, many utilities are requesting compensation for prior investments or commitments that will be rendered uneconomic in a competitive market. These uneconomic investments and commitments, commonly referred to as stranded costs, include costs associated with above-market power purchase contracts and costs associated with the closure of a power plant. As a matter of public policy, regulatory authorities have provided for the recovery of a utility's stranded investment through the implication of a surcharge in the rate base.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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

K. Interfund Transfers

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

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

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

L. Deferred Revenue

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

M. Net Assets and Fund Equity

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

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted 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.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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:		
(Free cash)	\$ 1,977,000	
(Continuing appropriations)	846,452	
(School building aid)	89,681	\$ 2,913,133

Major Fund:

Stabilization Fund		170,000
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Nonmajor Governmental Funds:

Sale of cemetery lots	25,000	
Septic loan repayment fund	10,399	
Coal ash reserve	275,000	
Cemetery funds	75,000	385,399
		<u>\$ 3,468,532</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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

P. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2005, the expense/expenditure totaled approximately \$1,168,328. There were approximately 389 participants eligible to received benefits at June 30, 2005.

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, 2005

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 2005, the Town incurred a final budget deficit of \$9,321,311 for the General Fund.

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

Unreserved fund balance:	
Free cash votes	\$ 3,015,000
Overlay surplus	90,223
Prior year's encumbrances	6,111,646
Continuing appropriations	100,000
Debt exclusion - Prior year	4,442
	\$ 9,321,311

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, 2005 were \$10,609,585. Of these, \$9,770,492 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Deposits at December 31, 2004 were \$254,752. None was 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, 2005, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. government agencies	26,938,789	251,133	23,484,763	3,202,893
Money market mutual fund	3,716,683	3,716,683	-	-
	<u>30,655,472</u>	<u>3,967,816</u>	<u>23,484,763</u>	<u>3,202,893</u>
Other Investments:				
Certificate of deposit	95,000			
MMDT	846,965			
	<u>\$ 31,597,437</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 \$31,597,437 in investments, \$30,155,472 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.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Credit Risk

The Town's exposure to credit risk as of June 30, 2005 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings		Not Rated
		Aaa	Aa2	
Debt Securities:				
U. S. government agencies	\$ 26,938,789	\$ 26,683,319	\$ 255,470	\$ -
Money market mutual fund	3,716,683	-	-	3,716,683
	<u>\$ 30,655,472</u>	<u>\$ 26,683,319</u>	<u>\$ 255,470</u>	<u>\$ 3,716,683</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 6.90%, 45.12% and 33.24%, respectively, of the Town's total investments.

Investment Policies – Shrewsbury Contributory Retirement System

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

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

- Fixed income investments shall be permitted in obligations of the United States or obligations guaranteed as to principal and interest by the Government of the United States, agency securities, corporate bonds (Yankees and bond-like convertibles), municipal bonds, mortgage-back securities (MBS, CMBS and CMO's), and asset-backed securities.
- Fixed income investments shall be permitted in bonds issued by the State of Israel.
- Fixed income investments shall have a minimum quality rating of Baa/BBB as rated by one or more recognized bond rating service at the time of purchase. Fixed income investments that are downgraded below Baa/BBB shall be liquidated within a reasonable period of time determined by the manager so as not to be detrimental to the plan. If the manager determines it prudent to hold an investment that has been downgraded below Baa/BBB, they will be required to report at least monthly the status of said bond and reasons for holding said bond.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

- No more than five percent of the total market value of all fixed income investments shall be invested in debt obligations of any one fixed income issuer except for securities issued and guaranteed by the United States Government, or its agencies, which may be held without limitations.
- For the purposes of these guidelines, convertible bonds and convertible preferred stocks shall be considered fixed income investments.
- Miscellaneous provisions:
 - Use of swaps, primes, scores or other similar products are prohibited.
 - Use of margin buying is prohibited.
 - Use of derivative investments including but not limited to: Forwards, future options, warrants, hedging, or structured investments which display derivative like characteristics are prohibited. CMO's and mortgage-backed securities are not considered derivative investments for the purposes of these guidelines.
 - Short selling of securities is prohibited.
 - Unregistered or restricted stocks are prohibited.
 - Commodities are prohibited.
 - Commingled or mutual funds with the exception of bank STIF funds are prohibited.
 - Yankee bonds are limited to 5% of the fixed income portfolio.
 - The portfolio shall comply at all times with applicable laws and regulations. For the purposes of these guidelines, it at any time this document is found to be in conflict with applicable laws and regulations, the statute shall prevail.

As of June 30, 2005, the System had the following investments and maturities:

Investment Type	Fair Value	Maturity in Years	
		Less Than a Year	6 to 10
Debt Securities:			
Money market mutual funds	\$ 949,588	\$ 949,588	\$ -
Bond mutual fund	14,683,570	-	14,683,570
	<u>15,633,158</u>	<u>949,588</u>	<u>14,683,570</u>
Other Investments:			
Equity securities - Domestic	11,322,061		
Equity mutual funds - Domestic	14,317,406		
Equity mutual funds - International	5,630,599		
Pooled real estate funds	3,525,077		
	<u>\$ 50,428,301</u>		

The bond mutual fund has an average maturity of 9.2 years.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 \$50,428,301 in investments, \$10,822,061 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

The System's exposure to credit risk as of June 30, 2005 is as follows:

Moody's Quality Ratings	<u>Fair Value</u> <u>Bond Mutual</u> <u>Fund</u>
AAA	\$ 14,683,570

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, 2005, 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:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and non-major governmental funds:			
Property taxes	\$ 704,908	\$ (31,228)	\$ 673,680
Deferred property taxes	40,036	-	40,036
Taxes in litigation	6,731	-	6,731
Tax liens	325,742	(9,392)	316,350
Excise taxes	527,986	(235,156)	292,830
User charges	224,408	(5,000)	219,408
Departmental	1,120	-	1,120
Special assessments	345,139	-	345,139
Due from other governments	51,512,862	-	51,512,862
Fiduciary funds:			
Shrewsbury Employees Retirement System Pension Trust Fund	211	-	211
	<u>\$ 53,689,143</u>	<u>\$ (280,776)</u>	<u>\$ 53,408,367</u>

At June 30, 2005, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer User Charges	\$ 138,605	\$ (5,000)	\$ 133,605
Sewer Special Assessments	1,331,893	-	1,331,893
Electric Light	2,018,837	(116,680)	1,902,157
Cablevision	790,583	(81,120)	709,463
	<u>\$ 4,279,918</u>	<u>\$ (202,800)</u>	<u>\$ 4,077,118</u>

The composition of amounts due from other governments as of June 30, 2005 for governmental funds is as follows:

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

School Building Authority:

School Building Assistance - Capital Portion \$ 49,870,416

Nonmajor Governmental Funds:

U. S. Department of Agriculture

School Lunch \$ 22,297

Commonwealth of Massachusetts:

Department of Education:

School Lunch 2,897

Department of Business and Technology:

Lakeway Business District Master Plan Grant 3,954

Massachusetts Highway Department:

Water Main Extension Agreement No. 9763 70,231

Public Works Economic Development Grant 112,643

Force Account 75,480

Chapter 90 funded projects 1,354,944 1,642,446

\$ 51,512,862

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, 2005 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 \$485,995.

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

General Fund:

Deferred property taxes	\$	40,036	
Taxes in litigation		6,731	
Tax liens		316,350	
Excise taxes		292,830	
User charges		219,407	
Departmental		672	
Special assessments		212,828	
Due from other governments	49,870,416	\$	50,959,270

Nonmajor Governmental Funds:

Departmental	\$	448	
Special assessments		132,312	
Due from other governments	788,022		920,782
		<u>\$</u>	<u>51,880,052</u>

C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 14,596,154	\$ -	\$ -	\$ 14,596,154
Construction in progress	12,974,830	821,886	(12,811,927)	984,789
Total capital assets not being depreciated	27,570,984	821,886	(12,811,927)	15,580,943
Capital assets being depreciated:				
Buildings and Renovations	90,585,438	19,788,236	-	110,373,674
Machinery, equipment and other	4,121,588	303,740	-	4,425,328
Infrastructure	13,367,259	4,371,355	-	17,738,614
Total capital assets being depreciated	108,074,285	24,463,331	-	132,537,616
Less accumulated depreciation for:				
Buildings and Renovations	14,562,180	3,397,471	-	17,959,651
Machinery, equipment and other	2,735,844	394,306	-	3,130,150
Infrastructure	3,589,014	473,375	-	4,062,389
Total accumulated depreciation	20,887,038	4,265,152	-	25,152,190
Total capital assets being depreciated, net	87,187,247	20,198,179	-	107,385,426
Total governmental activities capital assets, net	<u>\$ 114,758,231</u>	<u>\$ 21,020,065</u>	<u>\$ (12,811,927)</u>	<u>\$ 122,966,369</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 114,359	\$ -	\$ -	\$ 114,359
Construction in Progress	184,858	-	(184,858)	-
Total capital assets not being depreciated	299,217	-	(184,858)	114,359
Capital assets being depreciated:				
Buildings and renovations	3,977,291	11,634	-	3,988,925
Machinery, equipment and other	7,659,016	167,564	(184,861)	7,641,719
Infrastructure	66,075,016	3,571,563	-	69,646,579
Total capital assets being depreciated	77,711,323	3,750,761	(184,861)	81,277,223
Less accumulated depreciation for:				
Buildings and renovations	1,719,404	125,338	-	1,844,742
Machinery, equipment and other	3,294,817	322,786	(31,593)	3,586,010
Infrastructure	29,298,579	2,551,381	(153,268)	31,696,692
Total accumulated depreciation	34,312,800	2,999,505	(184,861)	37,127,444
Total capital assets being depreciated, net	43,398,523	751,256	-	44,149,779
Total business-type activities capital assets, net	\$ 43,697,740	\$ 751,256	\$ (184,858)	\$ 44,264,138

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

Governmental Activities:

General government	\$ 48,103
Public safety	226,476
Public works	658,209
Education	3,093,837
Health and human services	70,027
Culture and recreation	168,500
Total depreciation expense - governmental activities	<u>\$ 4,265,152</u>

Business-Type Activities:

Sewer	\$ 294,855
Electric light department	1,244,980
Community cablevision	1,459,670
Total depreciation expense - business-type activities	<u>\$ 2,999,505</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor governmental fund	Business-type funds	
General fund	\$ -	\$ 403,145	\$ 646,996	\$ 1,050,141
Stabilization fund	635,000	-	-	635,000
Nonmajor governmental funds	656,975	-	-	656,975
Business-type funds	497,667	-	-	497,667
Total transfers out	\$ 1,789,642	\$ 403,145	\$ 646,996	\$ 2,839,783

E. Short-Term Financing

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

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

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2004	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2005
Bond Anticipation Notes:						
School renovations	2.00%	11/24/04	\$ 19,600,000	\$ -	\$ 19,600,000	\$ -
Land acquisition	2.00%	11/24/04	6,100,000	-	6,100,000	-
School addition	1.21%	11/24/04	1,300,000	-	1,300,000	-
School renovations	3.25%	08/12/05	-	12,200,000	-	12,200,000
Land acquisition	3.00%	11/23/05	-	6,100,000	-	6,100,000
Massachusetts Water Pollution Abatement Trust:						
Septic Title V		12/31/05	40,000	54,573	-	94,573
			\$ 27,040,000	\$ 18,354,573	\$ 27,000,000	\$ 18,394,573

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

F. Long Term Debt

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2005
Inside Debt:					
Elementary School Construction	4.77%	02/15/96	02/01/16	1,000,000	\$ 48,000
Land Acquisition - Conservation	4.74%	06/01/99	06/01/19	3,000,000	2,070,000
Land Acquisition - High School	4.75%	06/01/99	06/01/19	2,400,000	1,680,000
Senior Center	4.36%	06/01/99	06/01/09	1,000,000	400,000
High School Construction	4.46%	08/15/01	08/15/21	58,900,000	52,270,000
Land Acquisition - Conservation	4.35%	08/15/01	08/15/19	2,000,000	1,655,000
School Renovations - Middle School West	4.05%	11/15/04	11/15/24	7,400,000	7,400,000
School Addition - Parker Road Preschool	3.72%	11/15/04	11/15/19	1,250,000	1,250,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	514,850	514,850
Total Inside Debt					<u>67,287,850</u>
Outside Debt:					
Elementary School Construction	4.77%	02/15/96	02/01/16	9,000,000	457,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	4,520,750	4,520,750
Massachusetts Water Pollution					
Abatement Trust:					
Septic - Title V	N/A	10/25/00	08/01/18	86,947	67,623
Septic - Title V	N/A	02/01/04	08/01/22	105,896	100,047
Total Outside Debt					<u>5,145,420</u>
Total governmental type debt					<u>\$ 72,433,270</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2005
Inside Debt:					
Sewer Department:					
Massachusetts Water Pollution Abatement Trust:					
Assebet River Consortium	N/A	07/15/01	02/01/21	490,127	\$ 273,208
Electric Light Department:					
Building Renovations	4.57%	02/01/96	02/01/10	1,000,000	70,000
Building Renovations - refunded	4.55%	02/01/05	02/01/10	309,400	309,400
Total Inside Debt					<u>652,608</u>
Outside Debt:					
Electric Light Department:					
Installation of Transformers	4.23%	08/15/01	08/15/17	1,760,000	1,430,000
Community Cablevision Department:					
Community Cablevision (CATV) Plant	4.56%	06/01/99	06/01/19	5,300,000	3,170,000
Total Outside Debt					<u>4,600,000</u>
Total Business-type debt					<u>\$ 5,252,608</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2005, are as follows:

	Governmental	Principal	Interest	Total
2006		\$ 4,577,299	\$ 3,261,226	\$ 7,838,525
2007		4,567,249	2,895,602	7,462,851
2008		4,562,899	2,738,303	7,301,202
2009		4,554,399	2,564,978	7,119,377
2010		4,445,749	2,374,726	6,820,475
2011-2015		22,041,773	9,055,085	31,096,858
2016-2020		19,672,021	4,287,148	23,959,169
2021-2025		8,011,881	513,795	8,525,676
		<u>\$ 72,433,270</u>	<u>\$ 27,690,863</u>	<u>\$ 100,124,133</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2005, are as follows:

Business-Type	Principal	Interest	Total
2006	\$ 551,722	\$ 237,156	\$ 788,878
2007	557,030	213,164	770,194
2008	556,643	190,575	747,218
2009	555,504	167,129	722,633
2010	549,618	142,969	692,587
2011-2015	2,033,011	362,052	2,395,063
2016-2020	426,551	42,332	468,883
2021	22,529	563	23,092
	<u>\$ 5,252,608</u>	<u>\$ 1,355,940</u>	<u>\$ 6,608,548</u>

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 67,655,000	\$ 8,785,600	\$ 4,175,000	72,265,600	\$ 4,566,900
Massachusetts Water Pollution Abatement Trust	178,350	-	10,680	167,670	10,399
Compensated absences	1,106,755	21,352	-	1,128,107	282,027
Governmental activity Long-term liabilities	<u>\$ 68,940,105</u>	<u>\$ 8,806,952</u>	<u>\$ 4,185,680</u>	<u>\$ 73,561,377</u>	<u>\$ 4,859,326</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$ 5,505,000	\$ 9,400	\$ 535,000	\$ 4,979,400	\$ 538,100
Massachusetts Water Pollution Abatement Trust	286,611	-	13,403	273,208	13,622
Compensated absences	218,832	-	113,091	105,741	21,601
Business-type activity long term Long-term liabilities	<u>\$ 6,010,443</u>	<u>\$ 9,400</u>	<u>\$ 661,494</u>	<u>\$ 5,358,349</u>	<u>\$ 573,323</u>

Advance Refunding – February 1, 2005

During fiscal year 2005, the Town advance refunded a general obligation bond issue with a general obligation refunding note. Of this issue, the Town issued \$5,345,000 of general obligation refunding bonds at an aggregate purchase price of \$5,599,579 to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

refunded debt. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$5,200,000 of the Town's Series 1995 and 1996 bonds consisting of \$4,900,000 in school bonds governmental debt, and \$300,000 in electric light business-type debt and to obtain an economic gain of approximately \$292,108.

To provide for the payment of the refunded debt, the Town deposited \$5,356,590 into an irrevocable fund designated the "Town of Shrewsbury, Massachusetts Refunding Escrow Fund." The market value of the trust at June 30, 2005 was \$5,356,590.

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 three 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.

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
	<u>\$ 67,623</u>	<u>\$ 26,320</u>	<u>\$ 93,943</u>	<u>\$ 26,320</u>	<u>\$ 67,623</u>

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

No. 00-24

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan					
Obligation	\$ 490,127	\$ 278,381	\$ 768,508	\$ 320,919	\$ 447,589
Loan Restructure	(165,987)	(89,932)	(255,919)	(104,517)	(151,402)
	324,140	188,449	512,589	216,402	296,187
Repayments:					
Fiscal Year 2002	3,939	12,011	15,950	8,711	7,239
Fiscal Year 2003	20,355	23,195	43,550	21,245	22,305
Fiscal Year 2004	13,235	18,561	31,796	15,461	16,335
Fiscal Year 2005	13,403	12,901	26,304	12,465	13,839
	\$ 273,208	\$ 121,781	\$ 394,989	\$ 158,520	\$ 236,469

No. 97-1055-1

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan					
Obligation	\$ 105,896	\$ 49,282	\$ 155,178	\$ 49,282	\$ 105,896
Repayments:					
Fiscal Year 2005	5,849	4,640	10,489	4,640	5,849
	\$ 100,047	\$ 44,642	\$ 144,689	\$ 44,642	\$ 100,047

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, 2005 totaled \$67,940,458.

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, 2005:

Equalized Valuation-Real Estate and Personal Property (2004)	\$ 4,240,111,400
Debt Limit: 5 % of Equalized value	\$ 212,005,570
Total Debt Outstanding	
General Debt:	\$ 72,433,270
Less: Debt Outside Debt Limit	5,145,420
Business-type Debt:	\$ 5,252,608
Less: Debt Outside Debt Limit	4,600,000
Total Inside Debt	\$ 67,940,458
Inside Debt Excess Borrowing Capacity at June 30, 2005	\$ 144,065,112

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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, 2005 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	\$ 14,280,000
10/20/00	Repair, Replacement and/or upgrade of Septic systems	200,000
05/20/02	Construction of additional classroom and office space at the former North Shore School	530,000
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
		<u>\$ 21,110,000</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, 2005, \$341,427 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 2006

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, 2005 do not reflect the fiscal year 2006 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on May 16, 2005 authorized a fiscal year 2006 operating and capital budget as follows:

From the Tax Levy		\$ 73,306,815
From Sewer Fund		2,566,655
From Electric Light Fund		384,762
From Community Cablevision Fund		929,601
From Other Available Funds:		
<i>(Designated for Subsequent Years' Expenditures)</i>		
General fund:		
Undesignated Fund Balance:		
(Free Cash)	1,977,000	
(Continuing Appropriations)	846,452	
(School Building Aid)	89,681	2,913,133
Major fund:		
Stabilization Fund		170,000
Nonmajor governmental funds:		
Cemetery Sale of Lots	\$ 25,000	
Septic Loan Repayment Fund	10,399	
Cemetery Funds	75,000	
Coal Ash Reserve Fund	275,000	385,399
		\$ 80,656,365

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, 2005, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2005.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 Department – 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. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of bonds for each of the eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate plus available funds pledged under 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 bonds 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) a subsidiary of Dominion Resources, Inc. In addition to

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Millstone Unit 3, DNCI also is the owner of Millstone Unit 2. DNCI has requested and received an exemption from the NRC enabling them to submit an application earlier than 20 years before the expiration of the operating license for Unit 3 so that DNCI could submit its application for license renewal for Unit 2 and Unit 3 at the time. In January 2004, DNCI filed an application with the NRC to renew the operating license. The license currently will expire in 2025.

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, an indirect subsidiary of FPL Group, Inc. FPL Energy Seabrook, LLC, plans to file an application with the NRC to recapture the period 1986 to 1990 during which time Seabrook had a license, but did not operate and to extend the Seabrook Unit operating license, which currently will expire in 2026.

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. 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. In February 2003 Congress extended the Price Anderson Act through the end of 2003. Further extension has been considered by Congress as part of comprehensive energy legislation.

SELCO - Electric has entered into PSAs and PPAs with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each participant is unconditionally obligated to make 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, 2004, total capital expenditures amounted to \$1,513,322,000, of which \$71,980,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$856,295,000, of which \$42,340,000 is associated with the Department's share of Project Capability. As of December 31, 2004, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$1,090,063,000, of which \$54,179,000 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, 2004, and estimated for future years is shown below.

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

2005	\$ 5,395,000
2006	5,380,000
2007	5,252,000
2008	4,962,000
2009	4,450,000
2010 to 2014	19,798,000
2015 to 2019	8,942,000
	<u>\$ 54,179,000</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 \$8,705,000 and \$9,374,000 for the years ended December 31, 2004 and 2003, respectively.

Electric Light Department – Other Commitments

In addition to MMWEC, the Department is committed under long-term purchased power contracts, expiring on various dates through the year 2004, to pay demand charges whether or not energy is received. The demand charges associated with the contracts are reflected as purchased power on the income statement. The Department is also required to pay the actual amount of energy received under such contracts.

Purchased power expense under these agreements was \$2,064,632 in 2004 and \$3,492,036 in 2003.

During 2002 and 2001, PG&E National Energy Group included in their billing to the Department amounts in excess of what the Department contends is their contractual obligation totaling \$429,013. The liability has been reflected in the current year, pending resolution of the contract dispute.

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 \$4,582,718 for the fiscal year

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

ending June 30, 2005, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2004 is as follows

Active members	510
Inactive members	129
Retired members, beneficiaries and survivors	<u>231</u>
	<u><u>870</u></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, 2005, 2004 and 2003 is shown below, which equaled its required contribution for each fiscal year.

Fiscal Year Ended June 30	Town's Contribution
2005	\$ 1,573,671
2004	2,019,146
2003	1,471,780

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

TOWN OF SHREWSBURY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

(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)
01/01/04	\$ 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 Mellon as of January 1, 2004. 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 \$14,419,434.

Reporting Policies

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

Investments are reported in accordance with PERAC requirements.

E. Restatement

RESTATEMENT OF BUSINESS-TYPE FINANCIAL STATEMENTS NET ASSETS:	Electric Light Department
Description	
June 30, 2004 Business-type activities net assets as previously reported	\$ 31,134,914
<i>Less:</i>	
To set up warrants payable from the previous year.	(1,480,589)
June 30, 2004 Business-type activities net assets	<u>\$ 29,654,325</u>

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, 2005

	Fund Balances		Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances
	July 1, 2004					June 30, 2005
Special Revenue:						
Federal and State Grants:						
School Grants	\$ 160,466	\$ 1,937,278	\$ 2,012,774	\$ -	\$ -	\$ 84,970
Arts Lottery Council Grant	3,776	4,908	1,709	-	-	6,975
Elderly Programs	5,020	29,295	31,299	-	-	3,016
Extended Polling Hours	-	7,894	7,894	-	-	-
Health Tobacco Control Program	2,234	-	-	-	-	2,234
Highway Grants	-	585,477	585,477	-	-	-
Lakes and Ponds Grants	140	3,955	3,955	-	-	140
Library Grants	139,573	44,404	29,762	-	-	154,215
Massachusetts Technology Grant	-	14,679	14,679	-	-	-
Public Safety Grants	218,267	198,707	227,315	-	-	189,659
United States Postal Service Projects	4,378	-	-	-	-	4,378
Schools:						
School Lunch Program	84,644	1,656,185	1,732,819	-	-	8,010
School Lunch Commodities	-	87,899	87,899	-	-	-
Revolving Accounts	860,342	1,662,719	1,390,952	-	-	1,132,109
State Special Education Reimbursement Fund	-	2,057,656	1,918,746	-	-	138,910
Other:						
Arts Scholarship Revolving	544	20	-	-	-	564
Council on Aging Van Revolving	3,710	16,419	13,160	-	-	6,969
Coal Ash Reserve	1,720,205	52,086	-	(250,000)	-	1,522,291
Composting Revolving	396	-	-	-	-	396
Donahue Rowing Center Revolving	5	93,310	34,679	(45,479)	-	13,157
Filing Fees	109,104	78,447	12,442	-	-	175,109
Gifts	563,021	247,661	136,016	(199,315)	-	475,351
Home Farm Claims Settlement	45,009	2,437	-	-	-	47,446
Infiltration and Inflow	141,162	21,120	44,358	77,350	-	195,274
Insurance Reimbursements	412,360	28,608	30,230	-	-	410,738
Interest on School Borrowing	2,049,748	109,132	12,865	-	-	2,146,015
Law Enforcement Fund	16,346	16,170	4,313	-	-	28,203
Parks and Recreation Revolving	213,398	273,730	215,715	-	-	271,413
Plan and Security Deposits	90	140	73	-	-	157
Police DARE Program	3,685	200	421	-	-	3,464
Total Special Revenue	\$ 6,757,623	\$ 9,230,536	\$ 8,549,552	\$ (417,444)	\$ -	\$ 7,021,163

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2005

	Fund Balances July 1, 2004	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2005
Continued from Page 60	\$ 6,757,623	\$ 9,230,536	\$ 8,549,552	\$ (417,444)	\$ 7,021,163
Special Revenue (continued):					
Other (continued):					
Police Off Duty Revolving	837	254,439	251,595	-	3,681
Pump Grinder Program	5,080	25,367	24,525	-	5,922
Recycling Revolving	871	10,732	11,532	-	71
Regional Drug Seizure	86,563	19,180	20,913	-	84,830
Sale of Cemetery Lots	15,733	17,280	-	-	33,013
Septic Loan Program	(27,005)	-	3,950	-	(30,955)
Septic Loan Repayment Fund	73,624	49,711	-	(10,681)	112,654
Surety Defaults	1,399	-	-	-	1,399
Traffic and Sewer Improvement Engineering	27,730	-	-	-	27,730
Rowing Center Fund	328,007	11,016	-	45,479	384,502
Workers Compensation Fund	153,690	-	8,020	(80,000)	65,670
Total Special Revenue Funds	7,424,152	9,618,261	8,870,087	(462,646)	7,709,680
Capital Projects:					
Improvement of Water System	38,680	-	-	111,001	149,681
Land Acquisition Bonds	204,376	-	-	-	204,376
Parker Road Preschool	(1,232,264)	-	5,275	1,249,999	12,460
Public Works Projects	-	2,049,960	2,156,352	169,316	62,924
School Construction	73,550	-	-	-	73,550
Senior Center	15,628	-	-	-	15,628
Total Capital Projects	(900,030)	2,049,960	2,161,627	1,530,316	518,619
Permanent Funds:					
Cemetery Funds	1,139,900	65,168	43,968	(71,500)	1,089,600
Library Funds	663,753	22,406	52,857	-	633,302
Total Permanent Funds	1,803,653	87,574	96,825	(71,500)	1,722,902
Total - Non-Major Governmental Funds	\$ 8,327,775	\$ 11,755,795	\$ 11,128,539	\$ 996,170	\$ 9,951,201

TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, ROLLBACK AND
SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2004 TO JUNE 30, 2005

	Uncollected Taxes July 1, 2004	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2005	Uncollected Taxes Per Detail June 30, 2005
Real Estate Taxes:						
Levy of 2005	\$ -	\$ 41,036,208	\$ 392,487	\$ 40,238,222	\$ 405,499	\$ 405,499
Levy of 2004	283,854	-	181,116	101,076	1,662	1,167
Levy of 2003	(7,183)	-	(1,746)	(6,527)	1,090	572
Levy of 2002	(471)	-	-	-	(471)	(136)
Levy of 2001	(95)	-	-	-	(95)	(95)
Prior Years	(343)	-	-	288	(631)	2,738
	275,762	41,036,208	571,857	40,333,059	407,054	409,745

Personal Property Taxes:

Levy of 2005	-	366,840	3,545	337,431	25,864	25,864
Levy of 2004	11,968	-	188	4,865	6,915	6,888
Levy of 2003	2,563	-	-	11	2,552	2,496
Levy of 2002	4,303	-	-	-	4,303	4,303
Levy of 2001	3,577	-	-	104	3,473	3,473
Prior Years	26,922	-	-	-	26,922	26,922
	49,333	366,840	3,733	342,411	70,029	69,946

Rollback Taxes

	-	208,521	-	-	208,521	208,521
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Supplemental Taxes

	55,829	90,297	1,750	125,072	19,304	19,304
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Total Real Estate, Personal Property, Rollback and Supplemental Taxes

	\$ 380,924	\$ 41,701,866	\$ 577,340	\$ 40,800,542	\$ 704,908	\$ 707,516
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Deferred Property Taxes

	\$ 34,980	\$ 5,056	\$ -	\$ -	\$ 40,036	\$ 40,036
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TOWN OF SHREWSBURY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2004 TO JUNE 30, 2005

	Uncollected Taxes July 1, 2004	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2005	Uncollected Taxes Per Detail June 30, 2005
Motor Vehicle Excise Taxes:						
Levy of 2005	\$ -	\$ 4,004,743	\$ 114,694	\$ 3,710,255	\$ 179,794	\$ 179,665
Levy of 2004	171,075	820,954	52,793	882,655	56,581	56,581
Levy of 2003	56,682	57,882	10,660	73,022	30,882	30,882
Levy of 2002	34,289	329	(1,205)	8,117	27,706	27,706
Levy of 2001	43,253	237	(142)	2,962	40,670	40,670
Prior Years	188,959	-	20	1,742	187,197	187,197
	494,258	4,884,145	176,820	4,678,753	522,830	522,701

Boat Excise Taxes:

Levy of 1997	1,780	-	-	-	1,780	1,780
Levy of 1996	1,055	-	-	-	1,055	1,055
Levy of 1994	1,089	-	-	-	1,089	1,089
Levy of 1993	1,232	-	-	-	1,232	1,232
	5,156	-	-	-	5,156	5,156

**Total Motor Vehicle and
Boat Excise Taxes**

\$	499,414	\$ 4,884,145	\$ 176,820	\$ 4,678,753	\$ 527,986	\$ 527,857
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TOWN OF SHREWSBURY, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2004 TO JUNE 30, 2005

	Uncollected Accounts July 1, 2004	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2005	Uncollected Accounts Per Detail June 30, 2005
Tax Liens	\$ 87,459	\$ 373,222	\$ -	\$ 134,939	\$ 325,742	\$ 327,082
Taxes in Litigation	\$ 2,671	\$ 9,349	\$ -	\$ 5,289	\$ 6,731	\$ 6,731