

**TOWN OF SHREWSBURY, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2006**

<b>TOWN OF SHREWSBURY, MASSACHUSETTS</b> <b>TABLE OF CONTENTS</b>
--

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-13
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	14
Statement of Activities	15
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP)- Budget and Actual - General Fund	20
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	27

**SUPPLEMENTARY INFORMATION****Governmental Funds by Fund Type:**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	64-65
---	-------

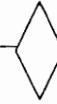
**Receivable Schedules:**

Schedule of Real Estate, Personal Property, Rollback and Supplemental Taxes and Deferred Property Taxes	66
Schedule of Motor Vehicle and Boat Excise Taxes	67
Schedule of Tax Liens and Taxes in Litigation	68

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

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

Thomas J. Scanlon & Associates  
Certified Public Accountants



**Independent 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, 2006, (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) - Cable, which are as of and for the year ended December 31, 2005), 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Shrewsbury Electric and Cable Operations (SELCO) – Electric, which represents 52% of the assets and 69% of the revenues of the Proprietary Fund Types and the Shrewsbury Electric and Cable Operations (SELCO) – Cable, which represents 21% of the assets and 24% of the revenues of the Proprietary Fund Types. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) - Cable, is based solely on the report of the other auditors.

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

In our opinion, 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, 2006, (except for the Shrewsbury Contributory Retirement System, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and


the Shrewsbury Electric and Cable Operations (SELCO) - Cable, which are as of and for the year ended December 31, 2005), 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.

As more fully described in Note 5, the Shrewsbury Electric and Cable Operations (SELCO) – Electric and the Shrewsbury Electric and Cable Operations (SELCO) - Cable presentations were changed from a June 30<sup>th</sup> fiscal year to a December 31<sup>st</sup> fiscal year.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2007, on our consideration of the Town of Shrewsbury, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



THOMAS J. SCANLON,  
Certified Public Accountant

South Deerfield, Massachusetts  
January 19, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of Shrewsbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$177,345,680 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities, as restated, by \$164,563,207.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$133,773,592 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 \$12,480,750 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  - (3) Unrestricted net assets of \$31,091,338 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 \$16,043,828 this year. This compares to the prior year ending fund balance of \$11,770,972 showing an increase of \$4,272,856 during the current year. Unreserved/undesignated fund balance of \$3,878,198 for fiscal year 2006 shows a \$1,751,104 increase from the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$3,878,198, or 4.74% of total General Fund expenditures including transfers and 4.74% of total General Fund revenues including transfers.
- Total liabilities of the Town decreased by \$15,523,695 to \$99,692,269 during the fiscal year.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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



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

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

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

## Financial Highlights

### Statement of Net Assets Highlights

	Governmental Activities		
	2006	2005	Change
<b>Assets:</b>			
Current assets	\$ 34,256,432	\$ 34,096,972	\$ 159,460
Noncurrent assets (excluding capital assets)	45,863,257	48,042,145	(2,178,888)
Capital assets	120,255,191	122,966,369	(2,711,178)
<b>Total assets</b>	<b>200,374,880</b>	<b>205,105,486</b>	<b>(4,730,606)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	7,950,975	8,568,612	(617,637)
Noncurrent liabilities (excluding debt)	769,754	846,080	(76,326)
Current debt	11,950,285	22,971,872	(11,021,587)
Noncurrent debt	63,378,567	67,855,971	(4,477,404)
<b>Total liabilities</b>	<b>84,049,581</b>	<b>100,242,535</b>	<b>(16,192,954)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	94,514,229	84,777,383	9,736,846
Restricted	9,202,826	6,746,158	2,456,668
Unrestricted	12,608,244	13,339,410	(731,166)
<b>Total net assets</b>	<b>116,325,299</b>	<b>104,862,951</b>	<b>11,462,348</b>

	Business-Type Activities		
	2006	2005 (as restated)	Change
<b>Assets:</b>			
Current assets	\$ 31,182,479	\$ 29,207,219	\$ 1,975,260
Noncurrent assets (excluding capital assets)	1,092,241	1,202,328	(110,087)
Capital assets	44,388,349	44,264,138	124,211
<b>Total assets</b>	<b>76,663,069</b>	<b>74,673,685</b>	<b>1,989,384</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	10,505,576	9,636,681	868,895
Noncurrent liabilities (excluding debt)	8,126	84,140	(76,014)
Current debt	551,980	551,722	258
Noncurrent debt	4,577,006	4,700,886	(123,880)
<b>Total liabilities</b>	<b>15,642,688</b>	<b>14,973,429</b>	<b>669,259</b>
<b>Net Assets:</b>			
Capital assets net of related debt	39,259,363	39,011,530	247,833
Restricted	3,277,924	-	3,277,924
Unrestricted	18,483,094	20,688,726	(2,205,632)
<b>Total net assets</b>	<b>61,020,381</b>	<b>59,700,256</b>	<b>1,320,125</b>

## Statement of Activities Highlights

	Governmental Activities		
	2006	2005	Change
<b>Program Revenues:</b>			
Charges for services	10,217,705	8,265,931	1,951,774
Operating grants and contributions	26,887,369	24,035,722	2,851,647
Capital grants and contributions	11,859,278	2,558,026	9,301,252
<b>General Revenues:</b>			
Property taxes	42,725,807	41,673,574	1,052,233
Motor vehicle excise and other taxes	4,692,857	4,690,326	2,531
Hotel room occupancy taxes	49,047	47,409	1,638
Penalties and interest on taxes	221,300	222,533	(1,233)
Nonrestricted grants	3,079,966	4,459,826	(1,379,860)
Unrestricted investment income	1,061,113	955,538	105,575
Net increase (decrease) in fair value of investments	(545,846)	111,821	(657,667)
<b>Total revenues</b>	<b>100,248,596</b>	<b>87,020,706</b>	<b>13,227,890</b>
<b>Expenses:</b>			
General government	5,581,123	5,317,810	263,313
Public safety	6,923,771	6,600,472	323,299
Public works (including water)	5,145,276	4,972,143	173,133
Education	49,002,778	45,901,106	3,101,672
Health and human services	2,408,330	2,336,019	72,311
Culture and recreation	2,034,400	2,145,994	(111,594)
Employee benefits and insurance	13,336,798	12,484,788	852,010
State assessments	738,685	597,728	140,957
Interest	3,641,930	3,883,329	(241,399)
<b>Total expenses</b>	<b>88,813,091</b>	<b>84,239,389</b>	<b>4,573,702</b>
<b>Special Items - Gain on Sale of Capital Assets</b>	<b>104,622</b>	<b>-</b>	<b>104,622</b>
<b>Transfers</b>	<b>(77,779)</b>	<b>(149,329)</b>	<b>71,550</b>
<b>Change in net assets</b>	<b>11,462,348</b>	<b>2,631,988</b>	<b>8,830,360</b>
<b>Net assets - beginning of year</b>	<b>104,862,951</b>	<b>102,230,963</b>	<b>2,631,988</b>
<b>Net assets - end of year</b>	<b>\$ 116,325,299</b>	<b>\$ 104,862,951</b>	<b>\$ 11,462,348</b>

	Business-Type Activities		
	2006	2005 (as restated)	Change
<b>Program Revenues:</b>			
Charges for services	\$ 38,295,170	\$ 37,264,909	\$ 1,030,261
Operating grants and contributions	545,463	28,797	516,666
<b>Total revenues</b>	<b>38,840,633</b>	<b>37,293,706</b>	<b>1,546,927</b>
<b>Expenses:</b>			
Sewer	2,889,300	2,416,142	473,158
Electric light	27,041,189	25,968,032	1,073,157
Community Cablevision	7,715,792	7,584,758	131,034
<b>Total expenses</b>	<b>37,646,281</b>	<b>35,968,932</b>	<b>1,677,349</b>
<b>Transfers</b>	<b>125,773</b>	<b>149,329</b>	<b>(23,556)</b>
<b>Change in net assets</b>	<b>1,320,125</b>	<b>1,474,103</b>	<b>(153,978)</b>
<b>Net assets - beginning of year</b>	<b>59,700,256</b>	<b>58,226,153</b>	<b>1,474,103</b>
<b>Net assets - end of year</b>	<b>\$ 61,020,381</b>	<b>\$ 59,700,256</b>	<b>\$ 1,320,125</b>

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$177,345,680 at the close of FY 2006.

Net assets of \$133,773,592 (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 \$12,480,750 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$31,091,338 (18%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net assets increased by \$11,462,348 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures by \$11,435,505, primarily from \$10,921,693 in receipts from the school building authority for its schools, transfers out to the business-type activities of \$77,779 and a gain on the sale of capital assets for \$104,622.

There was an increase of \$1,320,125 in net assets reported in connection with the sewer, electric light and community cablevision business-type activities. The sewer department increase of \$541,477 was attributable to operating costs exceeding operating revenues by \$157,680, non-operating revenues (expenses) of \$69,327 and a net general fund subsidy of \$629,830. The electric light department decrease at December 31, 2005 of \$391,703 was attributed to operating expenditures exceeding operating revenues by \$638,059, non-operating revenues (expenses) of \$368,351 less transfers to the general fund of \$121,995. The community cablevision increase at December 31, 2005 of \$1,170,351 was attributed to operating revenue exceeding operating expenses of \$1,709,643, non-operating revenues (expenses) of (\$157,230) less transfers to the general fund of \$382,062.

### ***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 \$16,043,828 an increase of \$11,770,972 in comparison with the prior year.

The increase was mainly due to revenues exceeding expenditures by \$11,463,556, net transfers to the business-type funds in the amount of \$77,779, sale of capital assets of \$290,622 and bond proceeds of \$94,573.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,043,828. Of this year-end total, \$3,878,198 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include \$4,163,128 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$3,276,974 reserved for the 2007 budget; \$8,015,808 in special revenue funds; (\$4,926,962) in capital project funds; and \$1,636,682 in permanent funds.

The deficit of \$(4,926,962) in the capital projects fund includes the Allen Farm property acquisition fund that ended the fiscal year 2006 with a negative fund balance of \$6,029,167 due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$6,100,000 in bond anticipation notes were outstanding on this project. Permanent financing will be done once the project nears completion. At that time the deficit will be eliminated.

### ***Major Governmental Funds***

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$3,878,198, while total fund balance reached

\$9,648,326. 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 4.74% of total general fund expenditures including transfers and total fund balance represents 11.78% of that same amount. Unreserved/undesignated fund balance represents 4.74% of total general fund revenues including transfers and total fund balance represents 11.79% of that same amount.

The fund balance of the general fund decreased by \$50,423. Of this amount \$367,951 was attributed to the expenditures over revenues, \$170,000 of transfers from the stabilization fund, \$77,779 of net transfers to the business-type funds and \$225,307 of net transfers from other non-major governmental funds.

The *Stabilization Fund* has accumulated a fund balance of \$177,383, or .22% of total general fund expenditures including transfers and .22% 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 \$164,044. Of this amount \$8,533 was attributed to interest income, \$(2,577) net decrease in fair value of investments and transfers out to the general fund for \$170,000. Please refer to Note 3G for additional information.

The *Senior High School Construction Fund* has a fund balance of \$72,393, or .09% of total general fund expenditures including transfers and .09% 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 \$184,463. Of this amount \$184,463 was attributed to expenditures.

The *Middle School Renovation Fund* has a fund balance of \$268,278, 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 financial resources to renovate an old high school for use as a middle school.

The fund balance of the fund increased by \$10,218,936. Of this amount \$10,921,693 was attributed to revenues received from the school building authority representing school building assistance and expenditures of \$702,757.

The *Allen Farm Property Acquisition fund* has a negative fund balance of \$(6,029,167). The fund is used to account for financial resources to acquire the land and buildings situated in the Town. The fund ended fiscal year 2006 with a negative fund balance of \$6,029,167 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 \$4,448. Of this amount \$4,448 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 \$541,477, attributable to operational costs exceeding revenue by \$157,680, intergovernmental revenues (Massachusetts water pollution abatement trust subsidies) of \$82,331, interest expense of \$13,004 and a net general fund subsidy of \$629,830.

The *Electric Light Fund* is used to account for activities of the government's electric distribution operations. The fund at December 31, 2005 shows a decrease of \$391,703, attributed to operating expenditures exceeding operating revenues of \$638,059, investment income of \$32,737, interest expense of \$81,065, other income of \$1,382, Nep/US generation disputed billings receipts of \$429,013, other expenses of 13,716 and transfers to the general fund of \$121,995.

The *Community Cablevision Fund* provides transmission of cable television signals, and the installations necessary for the customers to receive them. The fund at December 31, 2005 shows an increase of \$1,170,351, attributed to operating revenue exceeding operating expenses of \$1,709,643, interest expense of \$152,001, other expenses of \$5,229 less transfers to the general of \$382,062.

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2006 was \$82,248,579. This was an increase of \$2,128,605 over the previous year's budget.

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

There was an increase of \$574,830 between the original budget and the final amended budget. The increase is attributed from the Town amending specific expenditure line items of the final budget, primarily to the highway and building account for \$203,000, to water conservation programs for \$30,000, to water capital expenditure accounts for \$350,000 and transfers to the sewer fund for the new salary schedule of \$8,170. Of the \$6,363,820 under budget expenditures \$4,163,128 has been carried over to fiscal year 2007.

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

### **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, 2006, (December 31, 2005 for the electric light fund and the community cablevision fund) amounts to \$120,255,191 and \$44,388,349, 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:

- Calvin Coolidge School roof for \$117,227.
- New fire station land purchase for \$170,000.
- The acquisition of tax foreclosure property for \$14,835.
- Four Ford Crown Victoria police vehicles for \$106,410.
- A 2005 Chevy Silverado for the water department for \$31,024.
- Water line for Route 9 for \$186,400.
- Senior high school finish up work for \$184,460.
- The Middle School West project construction project for \$702,755.
- Oaks construction for \$458,800.
- Boston Turnpike Oak Street water project for \$18,929.
- Float replacements for \$133,799.
- A boat and trailer for \$47,927.

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

- A Chevy Silverado for the sewer enterprise fund for \$31,024.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2006, totaled \$67,950,545. The primary debt is education debt of \$63,943,700, senior center building debt of \$300,000, conservation land acquisition debt of \$3,455,000 and septic Title V debt of \$251,845. Debt also includes bond anticipation notes of \$7,378,307 consisting of education debt of \$1,278,307 and conservation debt of \$6,100,000.

The business-type funds have \$5,128,986 consisting of sewer activity debt of \$259,586, electric light activity debt of \$1,699,400 (at December 31, 2005) and cablevision activity debt of \$3,170,000 (at December 31, 2005).

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, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 1,691,058	\$ 7,331,596	\$ 9,022,654
Investments	27,719,467	7,906,023	35,625,490
Receivables, net of allowance for uncollectibles:			
Property Taxes	482,909	-	482,909
Deferred Property Taxes	45,500	-	45,500
Taxes in Litigation	13,137	-	13,137
Tax Liens	86,981	-	86,981
Excise Taxes	269,284	-	269,284
User Charges	220,699	2,883,536	3,104,235
Other		60,216	60,216
Special Assessments	109,336	113,939	223,275
Due from Other Governments	3,618,061	-	3,618,061
Materials and Supplies	-	607,146	607,146
Prepaid Expenses	-	1,855,345	1,855,345
Other	-	7,542	7,542
Restricted Cash and Investments:			
Depreciation Fund	-	3,277,924	3,277,924
Stranded Investment Fund	-	7,081,536	7,081,536
Investment in Other Companies	-	57,676	57,676
Total current assets	<u>34,256,432</u>	<u>31,182,479</u>	<u>65,438,911</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special Assessments	261,759	1,092,241	1,354,000
Due from Other Governments	45,601,498	-	45,601,498
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	14,594,989	218,739	14,813,728
Depreciable	105,660,202	44,169,610	149,829,812
Total noncurrent assets	<u>166,118,448</u>	<u>45,480,590</u>	<u>211,599,038</u>
<b>Total Assets</b>	<u>200,374,880</u>	<u>76,663,069</u>	<u>277,037,949</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	2,496,271	3,247,217	5,743,488
Accrued Payroll	2,775,659	7,871	2,783,530
Employee Withholdings	419,306	-	419,306
Tax Refund Payable	244,925	-	244,925
Taxes Collected in Advance	51,231	-	51,231
Accrued Interest	1,274,664	48,130	1,322,794
Other	271,988	6,157	278,145
Accumulated Provision for Rate Refund	-	7,081,536	7,081,536
Compensated Absences	416,931	114,665	531,596
Bond Anticipation Notes	7,378,307	-	7,378,307
Bonds Payable	4,571,978	551,980	5,123,958
Total current liabilities	<u>19,901,260</u>	<u>11,057,556</u>	<u>30,958,816</u>
<b>NONCURRENT:</b>			
Compensated Absences	769,754	8,126	777,880
Bonds Payable	63,378,567	4,577,006	67,955,573
Total noncurrent liabilities	<u>64,148,321</u>	<u>4,585,132</u>	<u>68,733,453</u>
<b>Total Liabilities</b>	<u>84,049,581</u>	<u>15,642,688</u>	<u>99,692,269</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	94,514,229	39,259,363	133,773,592
Restricted for:			
Capital Projects	994,627	-	994,627
Federal & State Grants	1,748,713	-	1,748,713
Permanent Funds	1,666,682	-	1,666,682
Other Purposes	4,792,804	-	4,792,804
Depreciation	-	3,277,924	3,277,924
Unrestricted	12,608,244	18,483,094	31,091,338
<b>Total Net Assets</b>	<u>\$ 116,325,299</u>	<u>\$ 61,020,381</u>	<u>\$ 177,345,680</u>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 5,581,123	\$ 452,926	\$ 374,453	\$ -	\$ (4,753,744)	\$ -	\$ (4,753,744)
Public Safety	6,923,771	1,671,339	511,905	-	(4,740,527)	-	(4,740,527)
Public Works (including Water)	5,145,276	3,007,849	150,065	937,585	(1,049,777)	-	(1,049,777)
Education	49,002,778	3,828,543	18,333,597	10,921,693	(15,918,945)	-	(15,918,945)
Health and Human Services	2,408,330	879,035	375,214	-	(1,154,081)	-	(1,154,081)
Culture and Recreation	2,034,400	378,013	321,154	-	(1,335,233)	-	(1,335,233)
Employee Benefits and Insurance	13,336,798	-	4,974,102	-	(8,362,696)	-	(8,362,696)
State Assessments	738,685	-	-	-	(738,685)	-	(738,685)
Interest	3,641,930	-	1,846,879	-	(1,795,051)	-	(1,795,051)
<b>Total Governmental Activities</b>	<b>88,813,091</b>	<b>10,217,705</b>	<b>26,887,369</b>	<b>11,859,278</b>	<b>(39,848,739)</b>	<b>-</b>	<b>(39,848,739)</b>
<b>Business-Type Activities:</b>							
Sewer	2,889,300	2,718,616	82,331	-	-	(88,353)	(88,353)
Electric Light	27,041,189	26,308,349	463,132	-	-	(269,708)	(269,708)
Community Cablevision	7,715,792	9,268,205	-	-	-	1,552,413	1,552,413
<b>Total Primary Government</b>	<b>\$ 126,459,372</b>	<b>\$ 48,512,875</b>	<b>\$ 27,432,832</b>	<b>\$ 11,859,278</b>	<b>(39,848,739)</b>	<b>1,194,352</b>	<b>(38,654,387)</b>
<b>General Revenues:</b>							
Property Taxes					42,725,807	-	42,725,807
Motor vehicle and other excise taxes					4,692,857	-	4,692,857
Hotel Room Occupancy Taxes					49,047	-	49,047
Penalties & Interest on Taxes					221,300	-	221,300
Grants & Contributions not restricted to specific programs					3,079,966	-	3,079,966
Unrestricted Investment Income					1,061,113	-	1,061,113
Net Increase (Decrease) in Fair Value of Investments					(545,846)	-	(545,846)
<b>Special Items:</b>							
Gain on Sale of Capital Assets					104,622	-	104,622
<b>Transfers, net</b>					(77,779)	125,773	47,994
<b>Total General Revenues, Special Items and Transfers</b>					<b>51,311,087</b>	<b>125,773</b>	<b>51,436,860</b>
<b>Change in Net Assets</b>					<b>11,462,348</b>	<b>1,320,125</b>	<b>12,782,473</b>
<b>Net Assets:</b>							
Beginning of year (as restated)					104,862,951	59,700,256	164,563,207
End of year					\$ 116,325,299	\$ 61,020,381	\$ 177,345,680

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General Fund	Stabilization Fund	Senior High School		Middle School Renovation Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
			Construction Fund	Fund				
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 556,429	\$ -	\$ -	\$ -	\$ -	\$ 70,833	\$ 1,063,796	\$ 1,691,058
Investments	15,142,581	177,383	72,393	1,546,585	-	-	10,780,525	27,719,467
Receivables, net of allowance for uncollectibles:								
Property Taxes	482,909	-	-	-	-	-	-	482,909
Deferred Property Taxes	45,500	-	-	-	-	-	-	45,500
Taxes in Litigation	13,137	-	-	-	-	-	-	13,137
Tax Liens	86,981	-	-	-	-	-	-	86,981
Excise Taxes	269,284	-	-	-	-	-	-	269,284
User Charges	220,699	-	-	-	-	-	-	220,699
Special Assessments	237,921	-	-	-	-	133,174	-	371,095
Due from Other Governments	47,789,460	-	-	-	-	1,430,099	-	49,219,559
<b>Total Assets</b>	<b>\$ 64,844,901</b>	<b>\$ 177,383</b>	<b>\$ 72,393</b>	<b>\$ 1,546,585</b>	<b>\$ 70,833</b>	<b>\$ 13,407,594</b>	<b>\$ 80,119,689</b>	

**LIABILITIES AND FUND BALANCE:**

<b>Liabilities:</b>								
Warrants Payable	\$ 2,484,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,151	\$ 2,496,271
Accrued Payroll	2,589,450	-	-	-	-	-	186,209	2,775,659
Employee Withholdings	419,306	-	-	-	-	-	-	419,306
Tax Refund Payable	244,925	-	-	-	-	-	-	244,925
Taxes Collected in Advance	51,231	-	-	-	-	-	-	51,231
Accrued Interest on Short-Term Debt	209,864	-	-	-	-	-	-	209,864
Deferred Revenue:								
Property Taxes	262,709	-	-	-	-	-	-	262,709
Other	48,662,982	-	-	-	-	-	1,302,619	49,965,601
Other	271,988	-	-	-	-	-	-	271,988
Bond Anticipation Notes Payable	-	-	-	1,278,307	6,100,000	-	-	7,378,307
<b>Total Liabilities</b>	<b>55,196,575</b>	<b>-</b>	<b>-</b>	<b>1,278,307</b>	<b>6,100,000</b>	<b>1,500,979</b>	<b>1,500,979</b>	<b>64,075,861</b>

**Fund Balance:**

Reserved For:								
Encumbrances and continuing appropriations	4,163,128	-	-	-	-	-	-	4,163,128
Unreserved:								
Designated for subsequent year's expenditures	1,607,000	-	-	-	-	-	1,669,974	3,276,974
Undesignated, reported in:								
General Fund	3,878,198	-	-	-	-	-	-	3,878,198
Special Revenue	-	177,383	-	-	-	-	7,838,425	8,015,808
Capital Projects	-	-	72,393	268,278	(6,029,167)	-	761,534	(4,926,962)
Permanent Funds	-	-	-	-	-	-	1,636,682	1,636,682
<b>Total Fund Balance</b>	<b>9,648,326</b>	<b>177,383</b>	<b>72,393</b>	<b>268,278</b>	<b>(6,029,167)</b>	<b>11,906,615</b>	<b>13,407,594</b>	<b>16,043,828</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 64,844,901</b>	<b>\$ 177,383</b>	<b>\$ 72,393</b>	<b>\$ 1,546,585</b>	<b>\$ 70,833</b>	<b>\$ 13,407,594</b>	<b>\$ 80,119,689</b>	

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Stabilization Fund	Senior High School Construction Fund	Middle School Renovation Fund	Allen Farm Property Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Property Taxes	\$ 43,166,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,166,592
State Receipts	20,956,518	-	-	-	-	-	20,956,518
Excise and Other Taxes	4,765,450	-	-	-	-	-	4,765,450
Licenses, Permits, Fees	5,756,583	-	-	-	-	-	5,756,583
Interest on Taxes	221,300	-	-	-	-	-	221,300
Investment Income:							
Interest	1,052,580	8,533	-	-	-	227,912	1,289,025
Net increase (decrease) in fair value of investments	(543,270)	(2,577)	-	-	-	(34,869)	(580,716)
Intergovernmental	4,981,660	-	-	-	-	4,981,660	4,981,660
Grants and Fees	-	-	-	10,921,693	-	10,908,228	21,829,921
<b>Total Revenues</b>	<b>80,357,413</b>	<b>5,956</b>	<b>-</b>	<b>10,921,693</b>	<b>-</b>	<b>11,101,271</b>	<b>102,386,333</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	5,728,399	-	-	-	4,448	75,934	5,808,781
Public Safety	6,466,739	-	-	-	-	415,453	6,882,192
Public Works (including Water)	4,574,148	-	-	-	-	497,908	5,072,056
Education	37,998,206	-	184,463	702,757	-	7,500,300	46,385,726
Health and Human Services	2,067,256	-	-	-	-	254,751	2,322,007
Culture and Recreation	1,503,383	-	-	-	-	537,777	2,041,160
Employee Benefits and Insurance	13,313,176	-	-	-	-	23,622	13,336,798
State Assessments	738,685	-	-	-	-	-	738,685
Debt Service:							
Principal	4,577,299	-	-	-	-	-	4,577,299
Interest	3,758,073	-	-	-	-	-	3,758,073
<b>Total Expenditures</b>	<b>80,725,364</b>	<b>-</b>	<b>184,463</b>	<b>702,757</b>	<b>4,448</b>	<b>9,305,745</b>	<b>90,922,777</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(367,951)</b>	<b>5,956</b>	<b>(184,463)</b>	<b>10,218,936</b>	<b>(4,448)</b>	<b>1,795,526</b>	<b>11,463,556</b>
<b>Other Financing Sources (Uses):</b>							
Operating Transfers In	1,489,949	-	-	-	-	540,092	2,030,041
Operating Transfers Out	(1,172,421)	(170,000)	-	-	-	(765,399)	(2,107,820)
Sale of Capital Assets	-	-	-	-	-	290,622	290,622
Bond Proceeds	-	-	-	-	-	94,573	94,573
<b>Total Other Financing Sources (Uses)</b>	<b>317,528</b>	<b>(170,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,888</b>	<b>307,416</b>
<b>Net Change in Fund Balances</b>	<b>(50,423)</b>	<b>(164,044)</b>	<b>(184,463)</b>	<b>10,218,936</b>	<b>(4,448)</b>	<b>1,955,414</b>	<b>11,770,972</b>
<b>Fund Balances, Beginning of Year</b>	<b>9,698,749</b>	<b>341,427</b>	<b>256,856</b>	<b>(9,950,658)</b>	<b>(6,024,719)</b>	<b>9,951,201</b>	<b>4,272,856</b>
<b>Fund Balances, End of Year</b>	<b>\$ 9,648,326</b>	<b>\$ 177,383</b>	<b>\$ 72,393</b>	<b>\$ 268,278</b>	<b>\$ (6,029,167)</b>	<b>\$ 11,906,615</b>	<b>\$ 16,043,828</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2006**

<b>Total Governmental Fund Balances</b>	\$	16,043,828
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		120,255,191
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		50,228,310
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payable	\$	(67,950,545)
Compensated Absences		(1,186,685)
		<u>(69,137,230)</u>
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(1,064,800)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>116,325,299</u></b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 11,770,972**

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

Capital Outlay Purchases	\$ 2,172,566	
Sale of Capital Asset	(186,000)	
Depreciation	<u>(4,697,744)</u>	(2,711,178)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue (2,137,737)

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	\$ 4,577,299	
Proceeds from Bonds	<u>(94,573)</u>	4,482,726

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	\$ (58,578)	
Net Change in Accrued Interest on Long-Term Debt	<u>116,143</u>	<u>57,565</u>

**Change in Net Assets of Governmental Activities** **\$ 11,462,348**

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, 2006**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original Budget	Final Budget	Budgetary Basis	Carried Forward to Next Year	Final Budget Positive (Negative)
<b>Revenues:</b>					
Property Taxes	\$ 42,837,585	\$ 42,837,585	\$ 43,273,891	\$ -	\$ 436,306
State Receipts	21,043,720	21,043,720	20,956,518	-	(87,202)
Excise and Other Taxes	4,670,000	4,670,000	4,765,450	-	95,450
Licenses, Permits, Fees	4,451,000	4,451,000	5,756,583	-	1,305,583
Interest on Taxes	220,000	220,000	221,300	-	1,300
Interest on Investments	932,000	932,000	1,052,580	-	120,580
<b>Total Revenues</b>	<b>74,154,305</b>	<b>74,154,305</b>	<b>76,026,322</b>	<b>-</b>	<b>1,872,017</b>
<b>Expenditures:</b>					
Current:					
General Government	7,282,558	7,058,183	5,728,399	787,794	541,990
Public Safety	6,513,701	6,683,697	6,466,739	89,942	127,016
Public Works (including Water)	7,357,607	7,900,416	4,574,148	3,036,203	290,065
Education	38,043,755	38,043,755	37,998,206	45,506	43
Health and Human Services	2,264,874	2,286,675	2,067,256	114,037	105,382
Culture and Recreation	1,622,823	1,674,146	1,503,383	89,646	81,117
Employee Benefits and Insurance	9,278,975	9,292,251	8,339,073	-	953,178
State Assessments	840,584	840,584	738,685	-	101,899
Debt Service:					
Principal	4,577,299	4,577,299	4,577,299	-	-
Interest	3,891,573	3,891,573	3,891,571	-	2
<b>Total Expenditures</b>	<b>81,673,749</b>	<b>82,248,579</b>	<b>75,884,759</b>	<b>4,163,128</b>	<b>2,200,692</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(7,519,444)</b>	<b>(8,094,274)</b>	<b>141,563</b>	<b>(4,163,128)</b>	<b>4,072,709</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	(52,211)	319,619	317,528	-	(2,091)
<b>Total Other Financing Sources (Uses)</b>	<b>(52,211)</b>	<b>319,619</b>	<b>317,528</b>	<b>-</b>	<b>(2,091)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(7,571,655)</b>	<b>(7,774,655)</b>	<b>459,091</b>	<b>(4,163,128)</b>	<b>4,070,618</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>9,988,764</b>	<b>9,988,764</b>	<b>9,988,764</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 2,417,109</b>	<b>\$ 2,214,109</b>	<b>\$ 10,447,855</b>	<b>\$ (4,163,128)</b>	<b>\$ 4,070,618</b>

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2006**

	Revenues	Expenditures
<b>Reported on a Budgetary Basis</b>	<b>\$ 76,026,322</b>	<b>\$ 75,884,759</b>
Net Decrease in Revenue from recording Refund Taxes Payable	(139,814)	
Net Decrease in Expenditures - Accrued Expenses		(141,055)
Recognition of intergovernmental Revenue - "on behalf payments"	4,981,660	
Recognition of Expenditures - "on behalf payments"		4,981,660
Net Decrease in Fair Value of Investments	(543,270)	
Net Increase in Revenue from Recording 60-Day Receipts	32,515	
<b>Reported on a GAAP Basis</b>	<b>\$ 80,357,413</b>	<b>\$ 80,725,364</b>

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, 2006**

	Business-Type Activities Enterprise Funds			
		Electric Light Fund	Community Cablevision Fund	
	Sewer Fund	(as of December 31, 2005)	(as of December 31, 2005)	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and Cash Equivalents	\$ 2,396,791	\$ 3,328,340	\$ 1,606,465	\$ 7,331,596
Investments	7,906,023	-	-	7,906,023
User Charges, net of allowance for uncollectibles	129,857	1,901,957	851,722	2,883,536
Other Receivables	-	60,216	-	60,216
Special Assessments	113,939	-	-	113,939
Materials and Supplies	-	204,874	402,272	607,146
Prepaid Expenses	-	1,790,639	64,706	1,855,345
Other	-	7,542	-	7,542
Restricted Cash and Investments:				
Depreciation Fund	-	3,277,924	-	3,277,924
Stranded Investment Fund	-	7,081,536	-	7,081,536
Investment in Other Companies	-	57,676	-	57,676
Total current assets	10,546,610	17,710,704	2,925,165	31,182,479
<b>NONCURRENT:</b>				
Special Assessments	1,092,241	-	-	1,092,241
Capital Assets, net of accumulated depreciation:				
Nondepreciable	-	184,810	33,929	218,739
Depreciable	8,407,472	22,346,942	13,415,196	44,169,610
Total noncurrent assets	9,499,713	22,531,752	13,449,125	45,480,590
<b>Total Assets</b>	<b>20,046,323</b>	<b>40,242,456</b>	<b>16,374,290</b>	<b>76,663,069</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Accounts Payable	16,634	2,644,684	585,899	3,247,217
Accrued Payroll	7,871	-	-	7,871
Accrued Interest	5,453	29,390	13,287	48,130
Other	-	6,157	-	6,157
Accumulated Provision for Rate Refund	-	7,081,536	-	7,081,536
Compensated Absences	2,709	63,716	48,240	114,665
Bonds Payable	13,880	183,100	355,000	551,980
Total current liabilities	46,547	10,008,583	1,002,426	11,057,556
<b>NONCURRENT:</b>				
Compensated Absences	8,126	-	-	8,126
Bonds Payable	245,706	1,516,300	2,815,000	4,577,006
Total noncurrent liabilities	253,832	1,516,300	2,815,000	4,585,132
<b>Total Liabilities</b>	<b>300,379</b>	<b>11,524,883</b>	<b>3,817,426</b>	<b>15,642,688</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	8,147,886	20,832,352	10,279,125	39,259,363
Restricted for Depreciation	-	3,277,924	-	3,277,924
Unrestricted	11,598,058	4,607,297	2,277,739	18,483,094
<b>Total Net Assets</b>	<b>\$ 19,745,944</b>	<b>\$ 28,717,573</b>	<b>\$ 12,556,864</b>	<b>\$ 61,020,381</b>

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, 2006**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Electric Light Fund (as of December 31, 2005)	Community Cablevision Fund (as of December 31, 2005)	
<b>Operating Revenues:</b>				
Charges for Services	\$ 2,651,698	\$ 26,292,216	\$ 9,248,966	\$ 38,192,880
Other	66,918	16,133	19,239	102,290
<b>Total Operating Revenues</b>	<b>2,718,616</b>	<b>26,308,349</b>	<b>9,268,205</b>	<b>38,295,170</b>
<b>Operating Expenses:</b>				
Salaries & Wages	237,886	-	-	237,886
Operating Expenses	2,340,453	24,539,896	5,773,169	32,653,518
Maintenance Expenses	-	1,117,274	285,768	1,403,042
Depreciation	297,957	1,289,238	1,499,625	3,086,820
<b>Total Operating Expenses</b>	<b>2,876,296</b>	<b>26,946,408</b>	<b>7,558,562</b>	<b>37,381,266</b>
<b>Operating Income (Loss)</b>	<b>(157,680)</b>	<b>(638,059)</b>	<b>1,709,643</b>	<b>913,904</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Income	-	32,737	-	32,737
Intergovernmental	82,331	-	-	82,331
Other Income	-	1,382	-	1,382
Nep/US Generation Disputed Billings	-	429,013	-	429,013
Interest Expense	(13,004)	(81,065)	(152,001)	(246,070)
Other Expenses	-	(13,716)	(5,229)	(18,945)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>69,327</b>	<b>368,351</b>	<b>(157,230)</b>	<b>280,448</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(88,353)</b>	<b>(269,708)</b>	<b>1,552,413</b>	<b>1,194,352</b>
<b>Operating Transfers:</b>				
Transfer In	646,485	-	-	646,485
Transfers (Out)	(16,655)	(121,995)	(382,062)	(520,712)
<b>Total Operating Transfers</b>	<b>629,830</b>	<b>(121,995)</b>	<b>(382,062)</b>	<b>125,773</b>
<b>Change in Net Assets</b>	<b>541,477</b>	<b>(391,703)</b>	<b>1,170,351</b>	<b>1,320,125</b>
<b>Net Assets at Beginning of Year (as restated)</b>	<b>19,204,467</b>	<b>29,109,276</b>	<b>11,386,513</b>	<b>59,700,256</b>
<b>Net Assets at End of Year</b>	<b>\$ 19,745,944</b>	<b>\$ 28,717,573</b>	<b>\$ 12,556,864</b>	<b>\$ 61,020,381</b>

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, 2006**

		Business-Type Activities Enterprise Funds				
	Sewer Fund	(as of December 31, 2005)	Electric Light Fund	Community Cablevision Fund	(as of December 31, 2005)	Total
<b>Cash Flows From Operating Activities:</b>						
Receipts from Customers and Users	\$	2,781,159	\$ 26,237,330	\$ 9,156,133	\$	38,174,622
Receipts from Other Revenues		66,918	-	19,239		86,157
Payments to Vendors and Employees		(2,566,320)	(25,624,079)	(6,227,745)		(34,418,144)
Refunds from MMWEC and Others		-	332,469	-		332,469
Other Receipts and Payments		-	(3,812)	-		(3,812)
<b>Net Cash Provided by (Used for) Operating Activities</b>		<b>281,757</b>	<b>941,908</b>	<b>2,947,627</b>		<b>4,171,292</b>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Transfers from (to) Other Funds		629,830	(121,995)	(382,062)		125,773
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>		<b>629,830</b>	<b>(121,995)</b>	<b>(382,062)</b>		<b>125,773</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Intergovernmental Revenues		82,331	-	-		82,331
Proceeds from Bonds		-	379,400	-		379,400
Acquisition and Construction of Capital Assets		(31,024)	(1,263,536)	(1,916,468)		(3,211,028)
Principal Payments on Bonds and Notes		(13,622)	(550,000)	(355,000)		(918,622)
Interest Expense		(12,945)	(86,686)	(152,002)		(251,633)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>		<b>24,740</b>	<b>(1,520,822)</b>	<b>(2,423,470)</b>		<b>(3,919,552)</b>
<b>Cash Flows from Investing Activities:</b>						
Investment Income		-	32,737	-		32,737
Proceeds/(Purchase) of Investments		(173,346)	5,069	-		(168,277)
<b>Net Cash Provided by (Used for) Investing Activities</b>		<b>(173,346)</b>	<b>37,806</b>	<b>-</b>		<b>(135,540)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>762,981</b>	<b>(663,103)</b>	<b>142,095</b>		<b>241,973</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>		<b>1,633,810</b>	<b>3,991,443</b>	<b>1,464,370</b>		<b>7,089,623</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$</b>	<b>2,396,791</b>	<b>\$ 3,328,340</b>	<b>\$ 1,606,465</b>	<b>\$</b>	<b>7,331,596</b>

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, 2006**

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Electric Light Fund	Community Cablevision Fund	(as of December 31, 2005)	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>					
Operating Income (Loss)	\$	(157,680)	\$	(638,059)	\$ 913,904
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation		297,957	1,289,238	1,499,625	3,086,820
Amortization		-	(2,111)	-	(2,111)
Nep/US Generation Disputed Billings Adjustment		-	429,013	-	429,013
Loss on extinguishment of debt		-	(10,223)	-	(10,223)
Change in Assets and Liabilities:					
Increase (Decrease) in Accounts Payable		11,495	(254,078)	(203,574)	(446,157)
Increase (Decrease) in Accrued Payroll		(1,258)	-	-	(1,258)
Increase (Decrease) in Provision for Rate Refund		-	3,812	-	3,812
Increase (Decrease) in Compensated Absences		1,782	9,387	2,308	13,477
Increase (Decrease) in Deferred Credits		-	6,157	-	6,157
Decrease (Increase) in Deferred Debits		-	(3,224)	-	(3,224)
Decrease (Increase) in Reserve Funds		-	(3,812)	-	(3,812)
Decrease (Increase) in Materials and Supplies		-	(9,569)	59,605	50,036
Decrease (Increase) in Prepaid Expenses		-	(124,722)	(28,942)	(153,664)
Decrease (Increase) in Other Accounts Receivable		-	116,150	-	116,150
Decrease (Increase) in Customer Accounts Receivable		129,461	133,949	(91,038)	172,372
<b>Total Adjustments</b>		439,437	1,579,967	1,237,984	3,257,388
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$</b>	<b>281,757</b>	<b>\$ 941,908</b>	<b>\$ 2,947,627</b>	<b>\$ 4,171,292</b>

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, 2006**

	<b>SHREWSBURY</b>		
	Employees Retirement System Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 293,961	\$ 3,709	\$ 2,718,885
Investments	54,528,004	288,192	29,942
Accrued Interest and Dividends	6,274	-	-
Accounts Receivable	24,166	-	-
<b>Total Assets</b>	<b>54,852,405</b>	<b>291,901</b>	<b>2,748,827</b>
<b>LIABILITIES</b>			
Warrants Payable	69,870	-	-
Due to Others	-	-	70,503
Due to Student Groups	-	-	216,416
Escrows and Deposits	-	-	2,461,908
<b>Total Liabilities</b>	<b>69,870</b>	<b>-</b>	<b>2,748,827</b>
<b>NET ASSETS:</b>			
Held in Trust for Pension Benefits and Other Purposes	\$ 54,782,535	\$ 291,901	\$ -

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, 2006**

	<b>SHREWSBURY</b>	
	<b>Employees</b>	
	<b>Retirement</b>	
	<b>System Pension</b>	
	<b>Trust Fund</b>	<b>Private</b>
	<b>(as of December</b>	<b>Purpose</b>
	<b>31, 2005)</b>	<b>Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employers	\$ 2,253,702	\$ -
Plan Members	1,720,967	-
Transfers/Reimbursements from Other Systems	250,287	-
Federal Grant Reimbursements	39,116	-
Commonwealth of Massachusetts - COLA	324,125	-
Private Donations	-	29,687
<b>Total Contributions</b>	<b>4,588,197</b>	<b>29,687</b>
Investment Income:		
Interest & Dividends	519,994	10,183
Net Change in Fair Value of Investments	3,866,642	(5,250)
<b>Total Investment Earnings</b>	<b>4,386,636</b>	<b>4,933</b>
Less Investment Expense	(351,898)	-
<b>Net Investment Earnings</b>	<b>4,034,738</b>	<b>4,933</b>
<b>Total Additions</b>	<b>8,622,935</b>	<b>34,620</b>
<b>Deductions:</b>		
Benefit Payments to Plan Members and Beneficiaries	3,846,688	-
Refunds to Members	218,260	-
Transfers to Other Systems	300,245	-
Educational Scholarships	-	54,913
Charitable Expenses	-	45
General Expenses	57,226	-
<b>Total Deductions</b>	<b>4,422,419</b>	<b>54,958</b>
<b>Change in Net Assets</b>	<b>4,200,516</b>	<b>(20,338)</b>
<b>Net Assets at Beginning of Year</b>	<b>50,582,019</b>	<b>312,239</b>
<b>Net Assets at End of Year</b>	<b>\$ 54,782,535</b>	<b>\$ 291,901</b>

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



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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

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

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

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

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

Fiduciary funds are reported by fund type.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The government reports the following major governmental funds:

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

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

The *senior high school construction fund* is used to account for financial resources to construct a new senior high school.

The *middle school renovation fund* is used to account for financial resources to remodel, reconstruct and make repairs to the old high school for use as a middle school.

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

The government reports the following major proprietary funds:

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

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

TOWN OF SHREWSBURY, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2006

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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

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

**D. Cash and Cash Equivalents**

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

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

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

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

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

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

All investments are carried at fair value.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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, 2005 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2006 on June 30, 2005, that were due on August 1, 2005 and November 1, 2005 and actual bills on December 30, 2005 that were due on February 1, 2006 and May 1, 2006.

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 2006 is \$43,235,918 consisting of a base of \$39,143,375 and a debt exclusion of \$4,092,543. The total amount raised by taxation was \$43,214,514.

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

***Excise Taxes***

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

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

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

***User Charges***

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

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

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

***Special Assessments***

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

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

***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.

**I. Capital Assets**

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

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

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

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

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



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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

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

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

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

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

#### **J. Restricted Cash and Cash Equivalents**

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

- The *depreciation fund* is restricted to specific uses by the General Laws of Massachusetts.
- The *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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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.

- 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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

“Other purposes” represents restrictions placed on assets from outside parties.

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

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

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

“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:

<b>General Fund:</b>		
Undesignated Fund Balance:		\$ 1,607,000
<b>Nonmajor Governmental Funds:</b>		
Sale of cemetery lots	18,000	
Septic loan repayment fund	15,128	
Coal ash reserve	425,000	
Cemetery funds	30,000	
Interest on school borrowing	800,000	
Sale of real estate	194,220	
Home farm claims settlement	47,758	
Gifts	50,000	
Land acquisition bonds	89,868	1,669,974
		<u>\$ 3,276,974</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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

**P. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2006, the expense/expenditure totaled approximately \$1,168,328. There were approximately 391 participants eligible to received benefits at June 30, 2006.

**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.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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

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

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

Massachusetts law requires cities and towns to provide 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 2006, the Town incurred a final budget deficit of \$7,774,655 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	\$ 2,180,000
Appropriations reserved	846,452
Prior year's encumbrances	4,658,522
Additional MSBA aid	89,681
	<u>\$ 7,774,655</u>

**B. Deficit Fund Equity**

The following funds had deficits at June 30, 2006 as measured by the balances of unreserved fund balance.

- The Allen farm property acquisition fund had a deficit fund balance of \$6,029,167. The Town has authorized remaining borrowings in the amount of \$6,100,000. The deficit will be eliminated when the long term debt is issued.
  
- The recycling revolving fund had a deficit fund balance of \$59. The Deficit will be eliminated upon the receipt of additional receipts.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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, 2006 were \$10,830,501. Of these, \$9,917,048 were exposed to custodial credit risk as uninsured and uncollateralized.

**Custodial Credit Risks – Deposits – Shrewsbury Contributory Retirement System**

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

Deposits at December 31, 2005 were \$364,070. 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, 2006, the Town had the following investments and maturities:

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. treasury obligations	\$ 341,795	\$ -	\$ 341,795	\$ -
U. S. government agencies	33,600,431	10,001,560	20,808,204	2,790,667
Money market mutual fund	1,144,093	1,144,093	-	-
	<u>35,086,319</u>	<u>11,145,653</u>	<u>21,149,999</u>	<u>2,790,667</u>
Other Investments:				
MMDT	857,305			
	<u>\$ 35,943,624</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 \$35,943,624 in investments, \$34,586,319 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

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

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2006 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings		Not Rated
		Aaa	Aa2	
Debt Securities:				
U. S. treasury obligations	\$ 341,795	\$ 341,795	\$ -	\$ -
U. S. government agencies	33,600,431	33,351,291	249,140	-
Money market mutual fund	1,144,093	-	-	1,144,093
	<u>\$ 35,086,319</u>	<u>\$ 33,693,086</u>	<u>\$ 249,140</u>	<u>\$ 1,144,093</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 9.42%, 42.35% and 38.82%, respectively, of the Town's total investments.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**Investment Policies – Shrewsbury Contributory Retirement System**

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

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

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



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

As of June 30, 2006, 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	\$ 1,914,091	\$ 1,914,091	\$ -
Bond mutual fund	14,163,300	-	14,163,300
	<u>16,077,391</u>	<u>1,914,091</u>	<u>14,163,300</u>
Other Investments:			
Equity securities - Domestic	12,216,864		
Equity mutual funds - Domestic	15,293,272		
Equity mutual funds - International	6,668,961		
Pooled real estate funds	4,271,516		
	<u>\$ 54,528,004</u>		

The bond mutual fund has an average maturity of 9.7 years.

### **Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$54,528,004 in investments, \$11,716,864 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

### **Interest Rate Risk**

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

### **Credit Risk**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

The System's exposure to credit risk as of June 30, 2006 is as follows:

Related Debt Instruments	Moody Quality Ratings		
	Fair Value	AAA	Not Rated
Money market mutual fund	\$ 1,914,091	\$ -	\$ 1,914,091
Bond mutual fund	14,163,300	14,163,300	-
	<u>\$ 16,077,391</u>	<u>\$ 14,163,300</u>	<u>\$ 1,914,091</u>

**Concentration of Credit Risk**

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

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

**B. Receivables**

At June 30, 2006, receivables for the individual major governmental funds and non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and non-major governmental funds:</b>			
Property taxes	\$ 514,618	\$ (31,709)	\$ 482,909
Deferred property taxes	45,500	-	45,500
Taxes in litigation	13,137	-	13,137
Tax liens	99,942	(12,961)	86,981
Excise taxes	538,440	(269,156)	269,284
User charges	225,699	(5,000)	220,699
Special assessments	371,095	-	371,095
Due from other governments	49,219,559	-	49,219,559
<b>Fiduciary funds: (at December 31, 2005)</b>			
Shrewsbury Employees Retirement System Pension Trust Fund	24,166	-	24,166
	<u>\$ 51,052,156</u>	<u>\$ (318,826)</u>	<u>\$ 50,733,330</u>

At June 30, 2006 and (December 31, 2005 for the electric light and cable enterprise funds), receivables for the business-type activities consist of the following:

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<b><i>Sewer activities:</i></b>			
Sewer user charges	\$ 134,857	\$ (5,000)	\$ 129,857
Sewer special assessments	1,092,241	-	1,092,241
	<u>1,227,098</u>	<u>(5,000)</u>	<u>1,222,098</u>
<b><i>Electric light activities:</i></b>			
User charges	1,950,114	(48,157)	1,901,957
Other	60,216	-	60,216
	<u>2,010,330</u>	<u>(48,157)</u>	<u>1,962,173</u>
<b><i>Cablevision activities:</i></b>			
Cablevision	892,993	(41,271)	851,722
	<u>\$ 4,130,421</u>	<u>\$ (94,428)</u>	<u>\$ 4,035,993</u>

The composition of amounts due from other governments as of June 30, 2006 for governmental funds is as follows:

<b>Governmental Funds:</b>		
<b>General Fund:</b>		
<b><i>Commonwealth of Massachusetts:</i></b>		
School Building Authority:		
School Building Assistance - Capital Portion		\$ 47,789,460
<b>Nonmajor Governmental Funds:</b>		
<b><i>U. S. Department of Agriculture</i></b>		
School Lunch	\$ 21,104	
<b><i>U. S. Department of Education</i></b>		
School title grants	52,379	
<b><i>Commonwealth of Massachusetts:</i></b>		
Department of Education:		
School Lunch	2,621	
Massachusetts Highway Department:		
Chapter 90 funded projects	1,353,995	1,430,099
		<u>\$ 49,219,559</u>

The composition of other receivables in the electric light enterprise fund as of December 31, 2005 is as follows:

SELCO - Cable	\$ 45,433
Due from town departments	4,316
Other	10,467
	<u>\$ 60,216</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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, 2006 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 \$262,709.

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

**General Fund:**

Deferred property taxes	\$ 45,500	
Taxes in litigation	13,137	
Tax liens	86,981	
Excise taxes	269,284	
User charges	220,699	
Special assessments	237,921	
Due from other governments	<u>47,789,460</u>	\$ 48,662,982

**Nonmajor Governmental Funds:**

Special assessments	133,174	
Due from other governments	<u>1,169,445</u>	<u>1,302,619</u>
		<u>\$ 49,965,601</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**C. Capital Assets**

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 14,596,154	\$ 184,835	\$ (186,000)	\$ 14,594,989
Construction in progress	984,789	-	(984,789)	-
Total capital assets not being depreciated	<u>15,580,943</u>	<u>184,835</u>	<u>(1,170,789)</u>	<u>14,594,989</u>
Capital assets being depreciated:				
Buildings and Renovations	110,373,674	1,123,842	-	111,497,516
Machinery, equipment and other	4,425,328	199,760	-	4,625,088
Infrastructure	17,738,614	1,648,918	-	19,387,532
Total capital assets being depreciated	<u>132,537,616</u>	<u>2,972,520</u>	<u>-</u>	<u>135,510,136</u>
Less accumulated depreciation for:				
Buildings and Renovations	17,959,651	3,742,769	-	21,702,420
Machinery, equipment and other	3,130,150	391,632	-	3,521,782
Infrastructure	4,062,389	563,343	-	4,625,732
Total accumulated depreciation	<u>25,152,190</u>	<u>4,697,744</u>	<u>-</u>	<u>29,849,934</u>
Total capital assets being depreciated, net	<u>107,385,426</u>	<u>(1,725,224)</u>	<u>-</u>	<u>105,660,202</u>
Total governmental activities capital assets, net	<u>\$ 122,966,369</u>	<u>\$ (1,540,389)</u>	<u>\$ (1,170,789)</u>	<u>\$ 120,255,191</u>

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

**Governmental Activities:**

General government	\$ 50,911
Public safety	233,178
Public works	747,457
Education	3,447,121
Health and human services	73,387
Culture and recreation	145,690
Total depreciation expense - governmental activities	<u>\$ 4,697,744</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**Sewer Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Machinery, equipment and other	\$ 270,400	\$ 31,024	\$ -	\$ 301,424
Infrastructure	13,943,903	-	-	13,943,903
Total capital assets being depreciated	14,214,303	31,024	-	14,245,327
Less accumulated depreciation for:				
Machinery, equipment and other	179,000	23,159	-	202,159
Infrastructure	5,360,898	274,798	-	5,635,696
Total accumulated depreciation	5,539,898	297,957	-	5,837,855
Total capital assets being depreciated, net	\$ 8,674,405	\$ (266,933)	\$ -	\$ 8,407,472

**Electric light activities**  
**(as of December 31, 2005)**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 114,359	\$ -	\$ -	\$ 114,359
Construction in progress	-	70,451	-	70,451
Total capital assets not being depreciated	114,359	70,451	-	184,810
Capital assets being depreciated:				
Electric utility plant	42,974,588	1,193,088	(24,132)	44,143,544
Total capital assets being depreciated	42,974,588	1,193,088	(24,132)	44,143,544
Less accumulated depreciation for:				
Electric utility plant	20,531,496	1,289,238	(24,132)	21,796,602
Total accumulated depreciation	20,531,496	1,289,238	(24,132)	21,796,602
Total capital assets being depreciated, net	22,443,092	(96,150)	-	22,346,942
Total business-type activities capital assets, net	\$ 22,557,451	\$ (25,699)	\$ -	\$ 22,531,752

**Cablevision activities**  
**(as of December 31, 2005)**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 33,929	\$ -	33,929
Total capital assets not being depreciated	-	33,929	-	33,929
Capital assets being depreciated:				
Plant investment	24,088,332	1,882,539	(48,029)	25,922,842
Total capital assets being depreciated	24,088,332	1,882,539	(48,029)	25,922,842
Less accumulated depreciation	11,056,050	1,499,625	(48,029)	12,507,646
Total capital assets being depreciated, net	13,032,282	382,914	-	13,415,196
Total business-type activities capital assets, net	\$ 13,032,282	\$ 416,843	\$ -	\$ 13,449,125

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

<b>Business-Type Activities:</b>	
Sewer enterprise fund	\$ 297,957
Electric light enterprise fund	1,289,238
Cablevision enterprise fund	<u>1,499,625</u>
Total depreciation expense - business-type activities	<u><u>\$ 3,086,820</u></u>

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

Interfund transfers for the fiscal year ended June 30, 2006, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor governmental fund	Business- type funds	
General fund	\$ -	\$ 540,092	\$ 632,329	\$ 1,172,421
Stabilization fund	170,000	-	-	170,000
Nonmajor governmental funds	765,399	-	-	765,399
Business-type funds	554,550	-	-	554,550
Total transfers out	<u>\$ 1,489,949</u>	<u>\$ 540,092</u>	<u>\$ 632,329</u>	<u>\$ 2,662,370</u>

**E. Short-Term Financing**

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

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, 2005	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2006
<b>Bond Anticipation Notes:</b>						
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	-
School renovations	3.75%	08/11/06	-	1,278,307	-	1,278,307
Land acquisition	4.50%	11/22/06	-	6,100,000	-	6,100,000
<b>Massachusetts Water Pollution Abatement Trust:</b>						
Septic Title V		12/31/05	94,573	-	94,573	-
			<u>\$ 18,394,573</u>	<u>\$ 7,378,307</u>	<u>\$ 18,394,573</u>	<u>\$ 7,378,307</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**F. Long Term Debt**

**General Obligation Bonds**

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

**Governmental Funds**

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2006
<b>Inside Debt:</b>					
Land Acquisition - Conservation	4.74%	06/01/99	06/01/19	3,000,000	\$ 1,915,000
Land Acquisition - High School	4.75%	06/01/99	06/01/19	2,400,000	1,560,000
Senior Center	4.36%	06/01/99	06/01/09	1,000,000	300,000
High School Construction	4.46%	08/15/01	08/15/21	58,900,000	49,195,000
Land Acquisition - Conservation	4.35%	08/15/01	08/15/19	2,000,000	1,540,000
School Renovations - Middle School West	4.05%	11/15/04	11/15/24	7,400,000	7,030,000
School Addition - Parker Road Preschool	3.72%	11/15/04	11/15/19	1,250,000	1,165,000
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	514,850	510,350
Total Inside Debt					<u>63,215,350</u>
<b>Outside Debt:</b>					
Elementary School Construction - refunded	4.55%	02/01/05	02/01/16	4,520,750	4,483,350
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Septic - Title V	N/A	10/25/00	08/01/18	86,947	62,793
Septic - Title V	N/A	02/01/04	08/01/22	105,896	94,479
Septic - Title V	N/A	11/16/05	07/15/25	94,573	94,573
Total Outside Debt					<u>4,735,195</u>
Total governmental type debt					<u>\$ 67,950,545</u>

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



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

<b>Governmental</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 4,571,978	\$ 3,065,807	\$ 7,637,785
2008	4,567,628	2,892,252	7,459,880
2009	4,559,128	2,702,803	7,261,931
2010	4,450,478	2,496,680	6,947,158
2011	4,445,128	2,294,141	6,739,269
2012-2016	21,995,390	8,383,812	30,379,202
2017-2021	18,775,835	3,351,983	22,127,818
2022-2026	4,584,980	209,454	4,794,434
	<u>\$ 67,950,545</u>	<u>\$ 25,396,932</u>	<u>\$ 93,347,477</u>

**Sewer, Electric Light and Cablevision Enterprise Funds**

*Business-type debt*

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2006
<i>Sewer activities:</i>					
<b>Inside Debt:</b>					
Massachusetts Water Pollution Abatement Trust - Assebet River consortium					
	N/A	07/15/01	02/01/21	490,127	\$ <u>259,586</u>
 <i>Electric light activities:</i> <i>(as of December 31, 2005)</i>					
<b>Inside Debt:</b>					
Building renovations					
	4.57%	02/01/96	02/01/10	1,000,000	70,000
Building renovations					
	4.55%	02/01/05	02/01/10	309,400	309,400
<b>Outside Debt:</b>					
Installation of transformers					
	4.56%	08/15/01	08/15/17	1,760,000	<u>1,320,000</u>
					<u>1,699,400</u>
 <i>Cablevision activities:</i> <i>(as of December 31, 2005)</i>					
<b>Outside Debt:</b>					
Plant					
	4.56%	06/01/99	06/01/14	5,300,000	<u>3,170,000</u>
Total Business-Type Funds					<u>\$ 5,128,986</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

Year	Principal	Interest	Total
2007	\$ 13,880	\$ 12,740	\$ 26,620
2008	14,143	12,160	26,303
2009	14,504	11,610	26,114
2010	14,968	11,204	26,172
2011	15,425	10,418	25,843
2012-2016	86,896	38,440	125,336
2017-2021	99,770	12,264	112,034
	<u>\$ 259,586</u>	<u>\$ 108,836</u>	<u>\$ 368,422</u>

Debt service requirements for principal and interest for the electric light enterprise fund as of June 30, 2006 are as follows: (The electric light enterprise bonds at June 30, 2006, reflect principal payments of \$70,000 and \$3,100 made on February 1, 2006).

Year	Principal	Interest	Total
2007	\$ 188,150	\$ 70,789	\$ 258,939
2008	187,500	64,045	251,545
2009	186,000	56,770	242,770
2010	184,650	48,989	233,639
2011	110,000	41,250	151,250
2012-2016	550,000	123,750	673,750
2017-2018	220,000	11,000	231,000
	<u>\$ 1,626,300</u>	<u>\$ 416,593</u>	<u>\$ 2,042,893</u>

Debt service requirements for principal and interest for the cablevision enterprise fund as of June 30, 2006 are as follows: (The cablevision enterprise bonds at June 30, 2006, reflect a principal payment of \$355,000 on June 1, 2006).

Year	Principal	Interest	Total
2007	\$ 355,000	\$ 129,635	\$ 484,635
2008	355,000	114,370	469,370
2009	355,000	98,750	453,750
2010	350,000	82,775	432,775
2011	350,000	66,675	416,675
2012-2014	1,050,000	101,150	1,151,150
	<u>\$ 2,815,000</u>	<u>\$ 593,355</u>	<u>\$ 3,408,355</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

During the fiscal year ended June 30, 2006 (including the electric light enterprise fund and the cablevision enterprise fund at December 31, 2005), the following changes occurred in long-term liabilities

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 72,265,600	\$ -	\$ 4,566,900	67,698,700	\$ 4,556,850
Massachusetts Water Pollution Abatement Trust	167,670	94,573	10,398	251,845	15,128
Compensated absences	1,128,107	58,578	-	1,186,685	416,931
Governmental activity Long-term liabilities	<u>\$ 73,561,377</u>	<u>\$ 153,151</u>	<u>\$ 4,577,298</u>	<u>\$ 69,137,230</u>	<u>\$ 4,988,909</u>

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due within One Year
<b>Business type activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 4,979,400	\$ -	\$ 110,000	\$ 4,869,400	\$ 538,100
Massachusetts Water Pollution Abatement Trust	273,208	-	13,622	259,586	13,880
Compensated absences	105,741	17,050	-	122,791	114,665
Business-type activity long term Long-term liabilities	<u>\$ 5,358,349</u>	<u>\$ 17,050</u>	<u>\$ 123,622</u>	<u>\$ 5,251,777</u>	<u>\$ 666,645</u>

**Massachusetts Water Pollution Abatement Trust**

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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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

<b>No. 97-1055</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan					
Obligation	\$ 86,947	\$ 41,287	\$ 128,234	\$ 41,287	\$ 86,947
Repayments:					
Fiscal Year 2001	-	1,032	1,032	1,032	-
Fiscal Year 2002	4,831	3,774	8,605	3,774	4,831
Fiscal Year 2003	4,831	3,580	8,411	3,580	4,831
Fiscal Year 2004	4,831	3,387	8,218	3,387	4,831
Fiscal Year 2005	4,831	3,194	8,025	3,194	4,831
Fiscal Year 2006	4,830	3,001	7,831	3,001	4,830
	<u>\$ 62,793</u>	<u>\$ 23,319</u>	<u>\$ 86,112</u>	<u>\$ 23,319</u>	<u>\$ 62,793</u>

<b>No. 00-24</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan					
Obligation	\$ 490,127	\$ 278,381	\$ 768,508	\$ 320,919	\$ 447,589
Loan Restructure	(165,987)	(89,932)	(255,919)	(104,517)	(151,402)
	324,140	188,449	512,589	216,402	296,187
Repayments:					
Fiscal Year 2002	3,939	12,011	15,950	8,711	7,239
Fiscal Year 2003	20,355	23,195	43,550	21,245	22,305
Fiscal Year 2004	13,235	18,561	31,796	15,461	16,335
Fiscal Year 2005	13,403	12,901	26,304	12,465	13,839
Fiscal Year 2006	13,622	12,945	26,567	12,411	14,156
	<u>\$ 259,586</u>	<u>\$ 108,836</u>	<u>\$ 368,422</u>	<u>\$ 146,109</u>	<u>\$ 222,313</u>

<b>No. 97-1055-1</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan					
Obligation	\$ 105,896	\$ 49,282	\$ 155,178	\$ 49,282	\$ 105,896
Repayments:					
Fiscal Year 2005	5,849	4,640	10,489	4,640	5,849
Fiscal Year 2006	5,568	4,557	10,125	4,557	5,568
	<u>\$ 94,479</u>	<u>\$ 40,085</u>	<u>\$ 134,564</u>	<u>\$ 40,085</u>	<u>\$ 94,479</u>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

No. 97-1055-2

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan					
Obligation	\$ 94,573	\$ -	\$ 94,573	\$ -	\$ 94,573
Repayments:					
None	-	-	-	-	-
	<u>\$ 94,573</u>	<u>\$ -</u>	<u>\$ 94,573</u>	<u>\$ -</u>	<u>\$ 94,573</u>

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2006 totaled \$63,781,236.

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, 2006:

Equalized Valuation-Real Estate and Personal Property (2004)	\$ 4,240,111,400
Debt Limit: 5 % of Equalized value	<u>\$ 212,005,570</u>
Total Debt Outstanding	
General Debt:	\$ 67,950,545
Less: Debt Outside Debt Limit	4,735,195
Business-type Debt:	<u>\$ 4,700,886</u>
Less: Debt Outside Debt Limit	4,135,000
Total Inside Debt	<u>\$ 63,781,236</u>
Inside Debt Excess Borrowing Capacity at June 30, 2006	<u>\$ 148,224,334</u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as permanent long term debt of June 30, 2006 and are not reflected in the Town's financial statements are as follows:

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

Date of Town Meeting	Purpose	Amount
02/16/00	Remodeling, Reconstructing and Repairs to the Existing Senior High School	\$ 3,358,307
05/20/02	Construction of additional classroom and office space at the former North Shore School	580,000
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
10/18/05	Purchase a fire department aerial platform truck	800,000
10/18/05	Engineering, design, materials and installation of electric light 69V cable between Rolf Avenue and Johnson substations	1,000,000
04/25/06	Construct a new fire station	7,400,000
05/17/06	Construction of a new one million water tank	1,250,000
05/17/06	Water system improvements along Old Mill Road, Harrington Avenue, Route 9 and Maple	1,750,000
		<u>\$ 22,238,307</u>

**G. Special Trust Funds**

**Stabilization Fund**

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

At June 30, 2006, \$177,383 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, 2006**

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 2007**

**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, 2006 do not reflect the fiscal year 2007 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on May 15, 2006 authorized a fiscal year 2007 operating and capital budget as follows:

From the tax levy		\$ 77,459,703
From sewer fund		3,228,000
From electric light fund		374,380
From community cablevision fund		939,326
From Other Available Funds:		
<i>(Designated for Subsequent Years' Expenditures)</i>		
<b>General fund:</b>		
Undesignated Fund Balance:		
(Free cash)		1,607,000
<b>Nonmajor governmental funds:</b>		
Cemetery sale of lots	\$ 18,000	
Septic loan repayment fund	15,128	
Coal ash reserve	425,000	
Cemetery funds	30,000	
Interest on school borrowing	800,000	
Sale of real estate	194,220	
Home farm claims settlement	47,758	
Gifts	50,000	
Land acquisition bonds	89,868	
	1,669,974	
	\$ 85,278,383	

**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, 2006, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2006.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**Federal Financial Assistance**

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

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

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

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

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

Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which includes debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should Project Participant fail to make any payment when due, other Project Participants may be required to increase (step up) their payments and correspondingly their Participant's share of Project Capability to an additional amount not exceed 25% of their original Participants' share of that Project's project. 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 bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of any bond issue relating to any other Project.

MMWEC's operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W. F. Wyman Unit No. 4 plant, owned and operated by FPL Energy Wyman IV, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by



**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

Dominion Nuclear Connecticut, Inc. (DNCl) a subsidiary of Dominion Resources, Inc. In addition to Millstone Unit 3, DNCl also is the owner of Millstone Unit 2. In November 2005 the Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. In December 2005, the NRC issued an amendment to the operating license that extends the expiration date from October 2026 to March 2030, to recapture the period from 1986 to 1990 during which time Seabrook Station had an operating license, but did not operate. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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

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

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

As of December 31, 2005, total capital expenditures amounted to \$1,521,643,000, of which \$72,387,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$784,995,000, of which \$39,047,000 is associated with the Department's share of Project Capability of the projects in which it participates. As of December 31, 2005, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$978,397,000, of which \$48,784,000 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, 2005, and estimated for future years is shown below.

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

For years ended December 31, 2006	\$	5,381,000
2007		5,253,000
2008		4,963,000
2009		4,450,000
2010		1,077,000
2011 to 2015		19,300,000
2016 to 2019		5,360,000
		\$ 45,784,000

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 \$8,905,000 and \$8,705,000 for the years ended December 31, 2005 and 2004, respectively.

**Cablevision Enterprise Fund – Commitments and Contingencies**

The cablevision enterprise fund is committed under long-term signal purchase contracts expiring on various dates through 2011. The following is a schedule by years of the aggregate amount of such required purchases as of December 31, 2005:

2006	\$	2,824,360
2007		1,949,784
2008		1,391,521
2009		762,095
2010		307,236
2011		160,755
		\$ 7,395,751

Signal purchase expense under these contracts was \$2,765,060 in 2005 and \$2,672,537 in 2004.

**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

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$4,974,102 for the fiscal year ending June 30, 2006, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

Employee membership data as of December 31, 2005 is as follows

Active Members	515
Inactive Members	136
Retired Members, Beneficiaries and Survivors	<u>226</u>
	<u><u>877</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, 2006, 2005 and 2004 is shown below, which equaled its required contribution for each fiscal year.

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

**TOWN OF SHREWSBURY, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2006**

**Schedule of Funding Progress  
(Dollar amounts in thousands)**

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

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

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

### Reporting Policies

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

Investments are reported in accordance with PERAC requirements.

### 5. Restatement

**RESTATEMENT OF GOVERNMENT-WIDE FINANCIAL STATEMENTS STATEMENT OF ACTIVITIES**

June 30, 2005 Business Type activities total net assets as previously reported	\$ 60,870,948
<i>Less:</i>	
Results from the conversion of the statements of the electric light enterprise and cablevision enterprise from a June 30th year end to a December 31st year end.	(1,170,692)
June 30, 2005 Business-Type activities total net assets	<u>\$ 59,700,256</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, 2006**

	Fund Balances July 1, 2005	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2006
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 84,970	\$ 2,007,438	\$ 1,980,751	\$ -	\$ 111,657
Arts Lottery Council Grant	6,975	5,644	3,350	-	9,269
Elderly Programs	3,016	31,669	32,499	-	2,186
Health Tobacco Control Program	2,234	-	-	-	2,234
Highway Grants	-	184,550	184,550	-	-
Lakes and Ponds Grants	140	-	140	-	-
Library Grants	154,215	53,479	20,379	-	187,315
Public Safety Grants	189,659	158,912	86,340	-	262,231
Lakeway Business District Grants	-	81,045	81,045	-	-
United States Postal Service Projects	4,378	-	-	-	4,378
<b>Schools:</b>					
School Lunch Program	8,010	1,811,273	1,730,976	-	88,307
School Lunch Commodities	-	73,161	73,161	-	-
Revolving Accounts	1,132,109	2,306,332	2,153,579	-	1,284,862
State Special Education Reimbursement Fund	138,910	1,518,717	1,455,094	-	202,533
<b>Other:</b>					
Arts Scholarship Revolving	564	-	-	-	564
Council on Aging Van Revolving	6,969	24,749	13,479	-	18,239
Coal Ash Reserve	1,522,291	24,976	-	(275,000)	1,272,267
Composting Revolving	396	6,281	4,409	-	2,268
Donahue Rowing Center Revolving	13,157	54,301	183,180	115,912	190
Filing Fees	175,109	92,901	68,676	-	199,334
Gifts	475,351	879,184	237,686	(30,000)	1,086,849
Home Farm Claims Settlement	47,446	312	-	-	47,758
Infiltration and Inflow	195,274	250,360	-	-	445,634
Insurance Reimbursements	410,738	281,944	36,925	-	655,757
Interest on School Borrowing	2,146,015	127,864	-	-	2,273,879
Law Enforcement Fund	28,203	746	4,696	-	24,253
Parks and Recreation Revolving	271,413	292,430	258,923	-	304,920
Plan and Security Deposits	157	-	-	-	157
Police DARE Program	3,464	269	358	-	3,375
<b>Total Special Revenue</b>	<b>\$ 7,021,163</b>	<b>\$ 10,268,537</b>	<b>\$ 8,610,196</b>	<b>\$ (189,088)</b>	<b>\$ 8,490,416</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2006**

	Fund Balances July 1, 2005	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2006
Continued from Page 64	\$ 7,021,163	\$ 10,268,537	\$ 8,610,196	\$ (189,088)	\$ 8,490,416
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Police Off Duty Revolving	3,681	228,710	220,391	-	12,000
Pump Grinder Program	5,922	42,012	31,860	-	16,074
Recycling Revolving	71	11,120	11,250	-	(59)
Regional Drug Seizure	84,830	3,754	14,058	-	74,526
Sale of Cemetery Lots	33,013	14,448	-	(25,000)	22,461
Sale of Real Estate	-	-	-	290,622	290,622
Septic Loan Program	(30,955)	-	52,200	94,573	11,418
Septic Loan Repayment Fund	112,654	20,541	63,494	(10,399)	59,302
Surety Defaults	1,399	65,862	2,325	-	64,936
Traffic and Sewer Improvement Engineering	27,730	-	-	-	27,730
Rowing Center Fund	384,502	8,467	-	(115,912)	277,057
Workers Compensation Fund	65,670	-	23,622	-	42,048
<b>Total Special Revenue Funds</b>	<b>7,709,680</b>	<b>10,663,451</b>	<b>9,029,396</b>	<b>44,796</b>	<b>9,388,531</b>
<b>Capital Projects:</b>					
Improvement of Water System	149,681	-	45,888	188,000	291,793
Lakeway State Grant	-	225,000	759	-	224,241
Land Acquisition Bonds	204,376	-	-	-	204,376
Parker Road Preschool	12,460	-	-	-	12,460
Public Works Projects	62,924	146,612	180,182	-	29,354
School Construction	73,550	-	-	-	73,550
Senior Center	15,628	-	-	-	15,628
<b>Total Capital Projects</b>	<b>518,619</b>	<b>371,612</b>	<b>226,829</b>	<b>188,000</b>	<b>851,402</b>
<b>Permanent Funds:</b>					
Cemetery Funds	1,089,600	43,647	32,702	(72,908)	1,027,637
Library Funds	633,302	22,561	16,818	-	639,045
<b>Total Permanent Funds</b>	<b>1,722,902</b>	<b>66,208</b>	<b>49,520</b>	<b>(72,908)</b>	<b>1,666,682</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 9,951,201</b>	<b>\$ 11,101,271</b>	<b>\$ 9,305,745</b>	<b>\$ 159,888</b>	<b>\$ 11,906,615</b>

**TOWN OF SHREWSBURY, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, ROLLBACK AND**  
**SUPPLEMENTAL TAXES AND DEFERRED PROPERTY TAXES**  
**JULY 1, 2005 TO JUNE 30, 2006**

	Uncollected Taxes July 1, 2005	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2006	Uncollected Taxes Per Detail June 30, 2006
<b>Real Estate Taxes:</b>						
Levy of 2006	\$ -	\$ 42,914,628	\$ 350,473	\$ 42,155,669	\$ 408,486	\$ 408,486
Levy of 2005	405,499	-	123,597	279,707	2,195	2,195
Levy of 2004	1,662	-	34,372	(33,690)	980	980
Levy of 2003	1,090	-	28,719	(28,201)	572	572
Levy of 2002	(471)	-	13,977	(14,312)	(136)	(136)
Prior Years	(726)	-	(1,175)	-	449	449
	<u>407,054</u>	<u>42,914,628</u>	<u>549,963</u>	<u>42,359,173</u>	<u>412,546</u>	<u>412,546</u>

<b>Personal Property Taxes:</b>						
Levy of 2006	-	346,631	1,487	324,559	20,585	20,585
Levy of 2005	25,864	-	-	6,014	19,850	19,850
Levy of 2004	6,915	-	27	812	6,076	6,076
Levy of 2003	2,552	-	56	868	1,628	1,628
Levy of 2002	4,303	-	-	1,111	3,192	3,192
Prior Years	30,395	-	-	4,319	26,076	26,076
	<u>70,029</u>	<u>346,631</u>	<u>1,570</u>	<u>337,683</u>	<u>77,407</u>	<u>77,407</u>

<b>Rollback Taxes</b>	208,521	19,078	61,966	165,633	-	-
-----------------------	---------	--------	--------	---------	---	---

<b>Supplemental Taxes</b>	19,304	52,401		47,040	24,665	24,665
---------------------------	--------	--------	--	--------	--------	--------

<b>Total Real Estate, Personal Property, Rollback and Supplemental Taxes</b>	\$ 704,908	\$ 43,332,738	\$ 613,499	\$ 42,909,529	\$ 514,618	\$ 514,618
--	------------	---------------	------------	---------------	------------	------------

<b>Deferred Property Taxes</b>	\$ 40,036	\$ 5,464	\$ -	\$ -	\$ 45,500	\$ 45,500
--------------------------------	-----------	----------	------	------	-----------	-----------



**TOWN OF SHREWSBURY, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES  
JULY 1, 2005 TO JUNE 30, 2006**

	Uncollected Taxes July 1, 2005	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2006	Uncollected Taxes Per Detail June 30, 2006
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2006	\$ -	\$ 4,102,713	\$ 135,688	\$ 3,804,165	\$ 162,860	\$ 162,860
Levy of 2005	179,794	746,886	68,450	796,538	61,692	61,692
Levy of 2004	56,581	63,667	8,676	79,096	32,476	32,476
Levy of 2003	30,882	174	2,964	3,040	25,052	25,052
Levy of 2002	27,706	-	228	2,114	25,364	25,364
Prior Years	227,867	-	351	1,676	225,840	225,840
	522,830	4,913,440	216,357	4,686,629	533,284	533,284
<b>Boat Excise Taxes:</b>						
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
<b>Total Motor Vehicle and Boat Excise Taxes</b>	\$ 527,986	\$ 4,913,440	\$ 216,357	\$ 4,686,629	\$ 538,440	\$ 538,440

TOWN OF SHREWSBURY, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION  
 JULY 1, 2005 TO JUNE 30, 2006

	Uncollected Accounts July 1, 2005	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2006	Uncollected Accounts Per Detail June 30, 2006
Tax Liens	\$ 325,742	\$ 163,393	\$ 14,835	\$ 374,358	\$ 99,942	\$ 100,682
Taxes in Litigation	\$ 6,731	\$ 6,406	\$ -	\$ -	\$ 13,137	\$ 13,137