

**OFFICE OF THE
TOWN MANAGER**



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Town of Shrewsbury
MASSACHUSETTS 01545-5398

November 17, 2005

To: Board of Selectmen

From: Daniel J. Morgado

Re: Financial Workshop Materials

The attached have been prepared in preparation of your financial workshop on Monday night.

Fiscal Year 2007 begins today with the approval by DOR of the Fiscal Year 2006 Tax Rate at \$9.24/\$1,000. We are now engaged in active budget preparation for Fiscal Year 2007 which will bring to the forefront a series of issues that will require resolution in time for the Annual Town Meeting.

I plan to review with the Board several of those issues for your direction and counsel.

Please advise with any questions or if you require any additional exhibits to be prepared.

Cc Michael Hale
Mary Thompson
Robert Ellia
Carolyn Marcotte
Patrick Collins

FINANCIAL ISSUES
FOR THE
FY 2007 BUDGET SEASON

- Continued use of exempted portion of tax levy and reduction in excess capacity. (Total exempted levy in FY 06 is \$4,092,543):

FY	Levy Limit without Debt & Capital Exclusions	Maximum Levy Limit	Total Tax Levy	Excess Capacity	Excess as a % of Maximum Levy	Tax Levy Ceiling	Assessed Value	Tax Levy as % of Assessed Value
2006	\$39,143,375	\$43,235,918	\$43,214,514	\$21,404	0.05%	\$116,922,387	\$4,676,895,485	0.92%
2005	\$37,653,331	\$41,425,381	\$41,399,263	\$26,118	0.06%	\$106,260,943	\$4,250,437,722	0.97%
2004	\$36,196,865	\$40,381,102	\$39,549,134	\$831,968	2.06%	\$99,670,197	\$3,986,807,862	0.99%
2003	\$34,764,572	\$39,797,377	\$37,027,303	\$2,770,074	6.96%	\$87,328,544	\$3,493,141,773	1.06%
2002	\$33,131,548	\$36,263,184	\$36,060,964	\$202,220	0.56%	\$66,386,164	\$2,655,446,563	1.36%
2001	\$31,465,027	\$32,315,523	\$32,224,086	\$91,437	0.28%	\$64,707,000	\$2,588,280,006	1.24%
2000	\$29,312,849	\$30,160,105	\$28,627,015	\$1,533,090	5.08%	\$53,648,830	\$2,145,953,181	1.33%

Fiscal Year	Unused Capacity
1999	\$1,537,605
1998	\$1,084,657
1997	\$112,269

Actual unused capacity in FY 2003 was \$365,056 due to the use of the \$2,385,000 bond premium via Free Cash

- Growth in the area of the tax levy and continued shift to the residential sector. Town of Shrewsbury tax burden continues to be below communities in the region. Can expect some shift of value within the residential sector due to construction of Adams Farm Over 55 Community. (See Attached Tax Recap Summary (Exhibit 1.1), Summary of Single Family Tax Bills (Exhibit 1.2) and an associated news article (Exhibit 1.3))

Fiscal Year	Tax Levy	Percent Residential
2006	\$43,214,514	88.0%
2005	\$41,399,263	87.7%
2004	\$39,549,134	87.1%
2003	\$37,027,303	85.5%
2002	\$36,060,964	83.6%
2001	\$32,224,086	83.5%
2000	\$28,627,016	84.1%
1999	\$26,586,814	83.9%
1998	\$25,271,626	83.2%

- The decline in new growth has flattened and bottom has been reached. We can expect some increase in FY 2007 due to multi-family construction in the form of the Adams Farm and Avalon Shrewsbury Projects. For explanation of how new growth is calculated see attached slides entitled "Tale of Two Towns" (Exhibit 2.1).

Fiscal Year	New Growth
2006	\$548,711
2005	\$551,544
2004	\$563,179
2003	\$804,735
2002	\$879,895
2001	\$1,419,357
2000	\$833,094
1999	\$1,122,922
1998	\$713,090
1997	\$726,315
1996	\$689,741
1995	\$585,810

- Status of personal property valuation for high tech firms which accounts for portion of shift to residential. Again, see attached slides entitled "Tale of Two Towns" (Exhibit 2.1).

Fiscal Year	Total PP Value	High Tech Value	% of High Tech
2006	\$38,979,835	\$6,000,000	15.39%
2005	\$37,273,381	\$5,900,000	15.83%
2004	\$38,744,224	\$5,000,000	12.90%
2003	\$56,049,097	\$30,823,841	54.99%
2002	\$59,164,147	\$26,645,361	45.04%
2001	\$59,340,454	\$26,656,001	44.92%
2000	\$30,127,106	\$18,140	0.06%

Change of HP to a manufacturing corporation resulted in loss of high tech value. Previous designation allowed for equipment to be taxed as personal property

- Status of school choice and charter schools assessments and reimbursements. The Charter School program is now heavily subsidized. A change in the level of funding will translate to our bottom line. In FY 2006 the cost of the program is \$424,412 with total reimbursement being \$228,642:

Fiscal Year	Number of Students (FTE)	Net Cost of Charter School Tuition	Number of Students (FTE)	Cost of School Choice Program
2006 (est)	53	\$195,779	18.0	\$104,140
2005	25.48	\$168,898	17.1	\$95,468
2004	23.93	\$168,167	16.5	\$78,761
2003	23.50	\$170,601	10.7	\$46,558
2002	21.15	\$94,256	13.2	\$53,319
2001	24.44	\$52,736	7.7	\$21,108
2000	29.24	\$26,307	7.9	\$32,859
1999	18.00	\$0	7.7	\$37,470

- Status of local receipts in light of current economic climate (see attached Schedule A analysis Exhibit 3.1 and 3.2). Slide continues downward in FY 2005 & FY 2006 but should stabilize in the \$10.4 Million range based upon motor vehicle excise and water revenue making up 44% of the total review stream.
- The status of State Aid in FY 2007 and beyond (see attached Exhibit 4.1). Will the long awaited promise to readjust the various state aid formulas take place in FY 2007? State Charges and Offsets may top \$1 Million in FY 2007.

Fiscal Year	Total State Aid
2006	\$21,077,629
2005	\$18,621,647
2004	\$16,744,700
2003	\$12,679,840
2002	\$11,648,532
2001	\$10,595,853
2000	\$9,596,115
1999	\$8,693,528
1998	\$7,850,691

\$3,697,772 SBAB

- The status of surplus lottery or other distributions.

Fiscal Year	Lottery Distributions	Surplus Distribution (Received in next Fiscal Year)
2006	\$2,493,603	\$0 (est)
2005	\$2,110,492	\$0
2004	\$2,110,492	\$269,859
2003	\$2,250,774	\$0
2002	\$2,482,932	\$0
2001	\$2,324,233	\$172,153
2000	\$2,123,910	\$275,198
1999	\$1,896,262	\$275,930

- Projected increases in health insurance expenses resulting from premium increases and changes in enrollment for both active and retired employees. Question is how will costs be moderated by the joining of the WSHG.

Fiscal Year	Amount Expended
2005	\$5,529,698
2004	\$4,483,109
2003	\$3,836,906
2002	\$2,991,004
2001	\$2,573,606
2000	\$1,879,964
1999	\$1,701,899
1998	\$1,637,322

- Double digit increases in the Medicare Match Account continued. Costs have nearly doubled since FY 2000.

Fiscal Year	Amount	Percent Increase	Notes
05	\$512,640	12.89%	Transfer of \$7,360 was required
04	\$454,086	11.46%	No transfer required (\$480,000 aprtn)
03	\$407,410	12.15%	No transfer required (\$453,000 aprtn)
02	\$363,278	11.60%	No transfer required (\$375,000 aprtn)
01	\$325,524	20.79%	\$13,000 Transfer was not Required
00	\$269,474	13.01%	\$44,747 Transfer was Required
99	\$238,445	25.60%	\$40,000 Transfer was Required
98	\$189,852	12.12%	
97	\$169,329	16.55%	
96	\$145,286	18.83%	
95	\$127,638	6.61%	
94	\$119,720		

- Investment earnings have fallen to their lowest levels since FY 1995:

Fiscal Year	Total Income
2005	\$932,675
2004	\$1,229,492
2003	\$1,561,045
2002	\$980,007
2001	\$1,753,148
2000	\$1,721,010
1999	\$1,605,296
1998	\$1,597,405
1997	\$1,701,900
1996	\$1,507,650
1995	\$940,115

Affect of call provisions of bondholders taking advantage of lower interest rates

- Motor Vehicle Excise Tax receipts rebounded in FY 2005. The question will be if this trend will continue in FY 2006 and beyond:

Fiscal Year	Total Income
2005	\$4,680,209
2004	\$4,260,729
2003	\$4,438,140
2002	\$4,127,776
2001	\$3,919,368
2000	\$3,770,230
1999	\$3,291,131

- Medicare billing for certain costs associated with the Special Education Program has flattened:

Fiscal Year	Reimbursement
2005	\$51,139
2004	\$49,779
2003	\$185,266
2002	\$129,032
2001	\$70,106
2000	\$98,263
1999	\$130,056

- Supplemental Tax Program that was started in 2001 has flattened. The amount committed will increase as construction picks up but no projection is available at this time:

Fiscal Year	Commitment	Note	Revenue
2005	\$80,084	\$3,075 billed in FY 06	\$169,937
2004	\$180,715	\$13,287 billed in FY 05	\$178,455
2003	\$98,631	\$26,813 billed in FY 04	\$89,088
2002	\$145,835	\$38,209 billed in FY 03	\$104,070
2001	\$159,457		\$142,235

- The MBTA assessment will continue to increase over time (See Exhibit 5.1):

Fiscal Year	Amount
FY 2007	\$200,392 (projected)
FY 2006	\$112,991
FY 2005	\$91,481
FY 2004	\$42,430
FY 2003	\$0

- In FY 2007 the continued effects of a non fully funded pension system will be realized. A new valuation of the system will be undertaken next year (as of January 1, 2006) for implementation in FY 2008:

Date	Funded Ratio	Unfunded Accrued Liability	Required Appropriation
January 1, 2004	77.9%	\$14,419,434	\$1,866,223
January 1, 2002	78.9%	\$12,533,566	\$1,240,656
January 1, 2000	97.1%	\$1,414,990	\$1,559,742
January 1, 1999	83.9%	\$7,517,187	\$1,541,285

- The use of reserves and Free Cash has run its course with the balance as of July 1, 2005 being the lowest since 1991 (See Exhibit 6.1). Funds remain on account in the School Bond Interest Account (\$2,104,081 with \$800,000 already programmed for FY 2007 and Coal Ash Account (\$1,229,736). Moody's has expressed concern over the Town's reserve position (see Exhibit 6.2).

- The size of any Fiscal Year 2006 budget deficit in light of the recent notification by the School Committee of the status of the FY 2006 School Budget. Previous operational deficits that were handled at the Annual Meeting were:

Fiscal Year	Deficit Made Up At Town Meeting From Free Cash
2005	\$523,000
2004	\$388,000
2003	\$366,000
2002	\$95,000
2001	\$731,000
2000	\$103,000

FINANCIAL ISSUES
FOR THE
FY 2007 BUDGET SEASON AND BEYOND

1. Increases of Water and Sewer Rates to cover new EPA & DEP standards
2. Increases in Water Rates to cover aggressive capital program of \$5 to \$6 million in the next 5 years.
3. Impact on Sewer Rates of Chapter 23 of the Acts of 2005 which now allows the tax levy subsidy of the sewer operation to fall to zero from 25% (\$700,000 to \$800,000 programmed for FY 2007).
4. Capital Budget requests for the period FY 07 to FY 10 far in excess of available revenue stream. Facility requests in the area of fire, school, parks, police and libraries.
5. Ongoing status of "Budget Busters" (Health, Medicare, Pensions, General Insurance)
6. Status of Town's debt obligation (See Exhibit 7.1)
7. The status of State Finances and will FY 2007 be the year when the distribution formula is modified.
8. The future of coal ash revenue and Phase V at the monofill.
9. School enrollment trends (see Exhibit 8.1 & 8.2)
10. Impact on the Town's vehicle fleet in light of continued deferral of replacement.
11. The impact of GASB 45 that deals with Retiree Health Insurance (See Exhibit 9.1)

**TAX RATE RECAPITULATIONS
FISCAL YEAR 2000 TO 2006**

	ACTUAL FY 06	ACTUAL FY 05	ACTUAL FY 04	ACTUAL FY 03	ACTUAL FY 02	ACTUAL FY 01
CHARGES						
APPROPRIATIONS	\$ 83,343,541.82	\$ 77,611,947.00	\$ 76,082,196.81	\$ 68,397,505.02	\$ 64,314,219.38	\$ 59,547,856.94
TAX TITLE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COURT JUDGMENTS	\$ -	\$ -	\$ -	\$ -	\$ 126,963.64	\$ 119,334.00
OVERLAY DEFICITS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 803.19
CHERRY SHEET OFFSETS	\$ 73,909.00	\$ 67,387.00	\$ 61,412.00	\$ 62,215.00	\$ 62,973.00	\$ 59,915.00
CMRPC	\$ 6,906.06	\$ 6,737.74	\$ 6,573.53	\$ 6,413.43	\$ 4,776.68	\$ 4,660.18
STATE AND COUNTY CHARGES	\$ 840,584.00	\$ 694,057.00	\$ 434,305.00	\$ 205,797.00	\$ 194,113.00	\$ 201,558.00
OVERLAY	\$ 451,928.88	\$ 334,362.58	\$ 465,564.36	\$ 301,261.36	\$ 257,908.21	\$ 323,213.03
TOTAL TO BE RAISED	\$ 84,716,869.76	\$ 78,714,491.32	\$ 77,050,051.70	\$ 68,973,191.81	\$ 64,960,953.91	\$ 60,257,340.34
REVENUE						
STATE AID	\$ 21,077,629.00	\$ 18,621,647.00	\$ 16,746,262.00	\$ 12,679,840.00	\$ 11,648,532.00	\$ 10,595,853.00
OVERESTIMATES	\$ -	\$ -	\$ -	\$ 331.00	\$ 2,850.00	\$ 4,982.00
SCHEDULE A RECEIPTS	\$ 10,388,000.00	\$ 10,415,000.00	\$ 10,244,000.00	\$ 9,521,090.00	\$ 9,693,984.00	\$ 9,302,066.00
FREE CASH	\$ 2,000,000.00	\$ 2,380,000.00	\$ 3,000,000.00	\$ 1,501,785.00	\$ 1,056,826.92	\$ 1,348,000.00
OTHER AVAILABLE FUNDS						
SALE OF CEMETERY LOTS	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
SEWER SURPLUS	\$ 3,566,654.82	\$ 2,300,000.00	\$ 2,000,400.00	\$ 2,140,000.00	\$ 1,650,000.00	\$ 1,525,000.00
LIGHT REVENUE	\$ 262,767.00	\$ 273,150.00	\$ 280,490.00	\$ 329,010.00	\$ 1,860,260.00	\$ 102,990.00
CATV REVENUE	\$ 499,545.00	\$ 514,456.00	\$ 529,365.00	\$ 736,140.00	\$ 820,863.00	\$ 924,158.00
STABILIZATION	\$ 170,000.00	\$ 635,000.00	\$ 185,000.00	\$ -	\$ 275,000.00	\$ -
OTHER FUNDS (CHAPTER 90)	\$ 508,066.00	\$ 422,311.00	\$ 424,566.71	\$ 431,754.76	\$ 425,098.66	\$ 210,686.26
BUDGET/FUND TRANSFERS	\$ 566,713.66	\$ 400,223.00	\$ 500,000.00	\$ 42,316.26	\$ 339,500.00	\$ 405,000.00
HOME FARM WELL INTEREST	\$ -	\$ -	\$ 1,450,000.00	\$ -	\$ -	\$ 2,091,000.00
TITLE V RESERVE	\$ 16,248.00	\$ 4,831.00	\$ 4,831.00	\$ 4,831.00	\$ 4,831.00	\$ -
INTEREST/PREMIUM RESERVE	\$ -	\$ -	\$ -	\$ -	\$ 300,000.00	\$ -
WATER SYSTEM IMPRVMENTS	\$ 500,000.00	\$ -	\$ 930,000.00	\$ 430,000.00	\$ -	\$ -
WATER CONSERVATION FUND	\$ 30,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
CEMETERY TRUST FUNDS	\$ 75,000.00	\$ 71,500.00	\$ -	\$ -	\$ -	\$ -
SPECIAL FUNDS - COAL ASH	\$ 275,000.00	\$ 250,000.00	\$ -	\$ -	\$ -	\$ -
HIGHWAY IMPROVEMENTS	\$ 400,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
SURPLUS SBAB (FLORAL)	\$ 89,681.00	\$ -	\$ -	\$ -	\$ -	\$ -
FREE CASH (REDUCE LEVY)	\$ 500,000.00	\$ 500,000.00	\$ 728,416.00	\$ 2,885,000.00	\$ 435,000.00	\$ 1,130,000.00
MUNICIPAL LIGHT (REDUCE LEVY)	\$ 121,995.00	\$ 115,606.00	\$ 118,531.00	\$ 113,132.00	\$ 112,244.00	\$ 118,519.00
CATV REVENUE (REDUCE LEVY)	\$ 430,056.00	\$ 386,503.91	\$ 334,056.00	\$ 283,927.00	\$ 250,000.00	\$ 250,000.00
BOND INTEREST RESERVE	\$ -	\$ -	\$ -	\$ 821,732.00	\$ -	\$ -
TOTAL REVENUE	\$ 41,502,355.48	\$ 37,315,227.91	\$ 37,500,917.71	\$ 31,945,889.02	\$ 28,899,989.58	\$ 28,033,254.26
TOTAL LEVY	\$ 43,214,514.28	\$ 41,399,263.41	\$ 39,549,133.99	\$ 37,027,302.79	\$ 36,060,964.33	\$ 32,224,086.08
TAX RATE	\$ 9.24	\$ 9.74	\$ 9.92	\$ 10.60	\$ 13.58	\$ 12.45

EXHIBIT 1.2
Summary of Single Family Tax Bills
Fiscal Years 1988 to 2006

FY	Assessed Value	Parcels	Average Value	Tax Rate	Single Family Tax Bill	Increase	Percent Increase	Hi-Lo Rank	# of Towns Included	State Median	Variance to State	
											Median	Median
1988	\$ 597,062,402	6,130	\$ 97,400	\$ 14.62	\$ 1,424			118	293	\$ 1,301	\$ 123	
1989	\$ 1,050,029,027	6,260	\$ 167,736	\$ 9.36	\$ 1,570	\$ 146	10.25%	96	297	\$ 1,326	\$ 244	
1990	\$ 1,072,459,683	6,314	\$ 169,854	\$ 10.02	\$ 1,702	\$ 132	8.41%	112	323	\$ 1,504	\$ 198	
1991	\$ 1,099,088,583	6,400	\$ 171,733	\$ 10.40	\$ 1,786	\$ 84	4.94%	99	265	\$ 1,640	\$ 146	
1992	\$ 972,972,119	6,447	\$ 150,919	\$ 11.93	\$ 1,800	\$ 14	0.78%	133	339	\$ 1,663	\$ 137	
1993	\$ 1,015,893,420	6,677	\$ 152,148	\$ 12.22	\$ 1,859	\$ 59	3.28%	136	339	\$ 1,747	\$ 112	
1994	\$ 1,067,739,013	6,938	\$ 153,897	\$ 12.74	\$ 1,961	\$ 102	5.49%	132	340	\$ 1,808	\$ 153	
1995	\$ 1,082,234,386	7,135	\$ 151,680	\$ 13.38	\$ 2,029	\$ 68	3.47%	137	340	\$ 1,872	\$ 157	
1996	\$ 1,124,419,977	7,319	\$ 153,630	\$ 13.84	\$ 2,126	\$ 97	4.78%	133	340	\$ 1,959	\$ 167	
1997	\$ 1,166,241,040	7,485	\$ 155,810	\$ 14.42	\$ 2,247	\$ 121	5.69%	129	340	\$ 2,031	\$ 216	
1998	\$ 1,274,284,500	7,718	\$ 165,106	\$ 13.32	\$ 2,199	\$ (48)	-2.14%	155	340	\$ 2,121	\$ 78	
1999	\$ 1,340,116,000	7,952	\$ 168,526	\$ 13.45	\$ 2,267	\$ 68	3.09%	155	340	\$ 2,191	\$ 76	
2000	\$ 1,473,016,300	8,225	\$ 179,090	\$ 13.34	\$ 2,389	\$ 122	5.38%	148	340	\$ 2,297	\$ 92	
2001	\$ 1,753,632,800	8,441	\$ 207,752	\$ 12.45	\$ 2,587	\$ 198	8.29%	140	340	\$ 2,418	\$ 169	
2002	\$ 1,817,609,000	8,572	\$ 212,040	\$ 13.58	\$ 2,880	\$ 293	11.33%	124	340	\$ 2,577	\$ 303	
2003	\$ 2,466,221,700	8,672	\$ 284,389	\$ 10.60	\$ 3,015	\$ 135	4.69%	136	340	\$ 2,709	\$ 306	
2004	\$ 2,860,861,900	8,760	\$ 326,582	\$ 9.92	\$ 3,240	\$ 225	7.45%	133	339	\$ 2,894	\$ 346	
2005	\$ 3,069,672,100	8,861	\$ 346,425	\$ 9.74	\$ 3,374	\$ 134	4.15%	138	340	\$ 3,067	\$ 307	
2006	\$ 6,402,311,500	8,890	\$ 382,712	\$ 9.24	\$ 3,536	\$ 162	4.80%					

creases in tax bills

Who pays how much

Municipality	FY 2000 average bill	FY 2005 average bill	Change in dollars	Percent change
Ashland	\$3,440	\$4,713	\$1,273	37%
Bellingham	\$2,060	\$2,684	\$624	30%
Berlin	\$2,864	\$4,519	\$1,655	58%
Bolton	\$4,669	\$6,516	\$1,847	40%
Boylston	\$3,236	\$4,384	\$1,148	35%
Dover	\$6,209	\$9,004	\$2,795	45%
Framingham	\$3,205	\$4,129	\$924	29%
Franklin	\$2,840	\$3,515	\$675	24%
Holliston	\$4,007	\$5,293	\$1,286	32%
Hopkinton	\$4,250	\$6,015	\$1,765	42%
Hudson	\$2,315	\$3,200	\$885	38%
Lincoln	\$7,475	\$9,730	\$2,255	30%
Marlborough*	NA	NA	NA	NA
Maynard	\$3,043	\$3,899	\$856	28%
Medfield	\$4,740	\$7,094	\$2,354	50%
Medway	\$3,437	\$4,961	\$1,524	44%
Millford	\$2,574	\$3,424	\$850	33%
Millis	\$3,263	\$4,083	\$820	25%
Natick	\$3,270	\$4,303	\$1,033	32%
Needham	\$4,068	\$5,517	\$1,449	36%
Newton	\$5,318	\$7,047	\$1,729	33%
Norfolk	\$3,700	\$4,859	\$1,159	31%
Northborough	\$3,460	\$4,891	\$1,431	41%
Plainville	\$2,633	\$3,620	\$987	37%
Sherborn	\$6,912	\$9,889	\$2,977	43%
Shrewsbury	\$2,389	\$3,374	\$985	41%
Southborough	\$4,023	\$6,667	\$2,644	66%
Stow	\$4,472	\$6,075	\$1,603	36%
Sudbury	\$5,987	\$8,101	\$2,114	35%
Upton	\$2,498	\$4,119	\$1,621	65%
Waltham*	NA	NA	NA	NA
Watertown*	NA	NA	NA	NA
Wayland	\$5,917	\$7,904	\$1,987	34%
Wellesley	\$5,084	\$7,564	\$2,480	49%
Westborough	\$3,709	\$5,922	\$2,213	60%
Weston	\$8,064	\$11,767	\$3,703	46%
Wrentham	\$3,178	\$4,282	\$1,104	35%

*The Department of Revenue does not report an average tax bill number for these communities, because tax breaks are available to qualifying single-family homeowners.

EXHIBIT 2.1

Tale of Two Towns

Fiscal Year 2006

Tale of Two Towns

	Shrewsbury	Other Town
Population 2000 Fed Census	31,640	17,997
Total to Be Raised	\$84.717 Million	\$75.116 Million
State Aid (Non SBAB)	\$17.285 Million	\$4.211 Million
Tax Levy	\$48.589 Million	\$43.215 Million
FY 05 Tax Rate	\$9.74	\$14.37
FY 06 Tax Rate	\$9.24	\$13.86

Tale of Two Towns

	Shrewsbury	Other Town
Residential Tax Base	88.03%	61.98%
Non Residential Tax Base	11.97%	38.02%
FY 06 New Growth	\$56.336 Million (\$9.74 Tax Rate)	\$82.309 Million (\$14.37 Tax Rate)
FY 06 New Growth	\$548,711	\$1,182,784
Residential New Growth	\$48.966 Million (\$476,928)	\$22.034 Million (\$316,633)
Non-Residential New Growth	\$7.369 Million (\$71,783)	\$60.275 Million (\$866,151)

Tale of Two Towns

	Shrewsbury	Other Town
Value Per Single Family Home (FY 06)	\$382,712	\$449,792
Average Residential Tax Bill (FY 06)	\$3,536.26	\$6,234.13
Value Per Commercial Parcel (FY 06)	\$839,054	\$1,464,569
Average Commercial Tax Bill (FY 06)	\$7,752.86	\$20,298.92
Value Per Industrial Parcel (FY 06)	\$1,218,444	\$1,746,870
Average Industrial Tax Bill (FY 06)	\$11,258.43	\$24,211.62

Tale of Two Towns

	Shrewsbury	Other Town
Value Per Personal Property Account (FY 06)	\$106,502	\$613,139
Average Personal Property Tax Bill (FY 06)	\$984.08	\$8,498.11
Average Parcel Value – All Classes (FY 06)	\$376,349.52	\$566,170
Average Tax Bill – All Classes (FY 06)	\$3,477.47	\$7,847.13

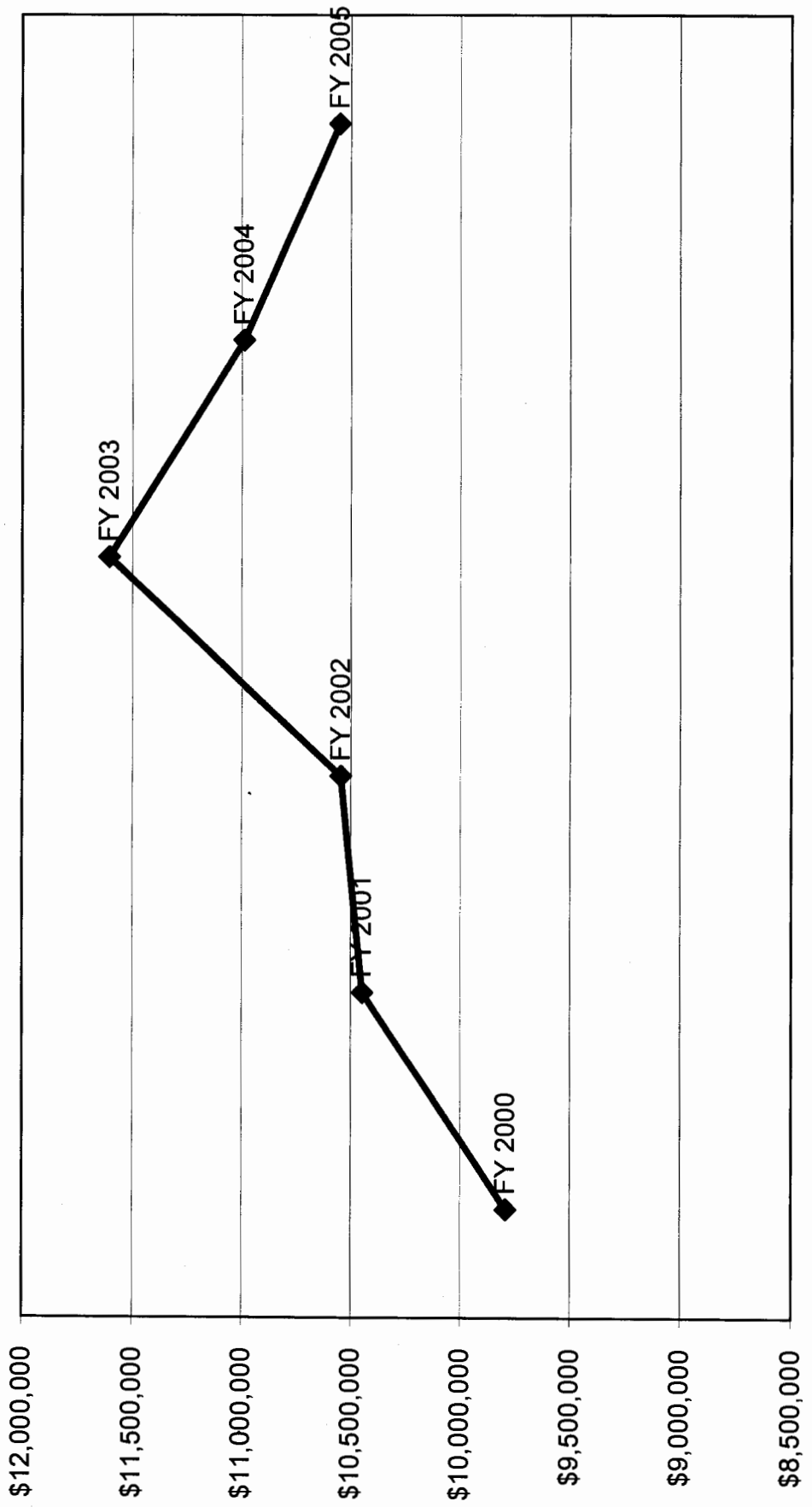
**EXHIBIT 3.1
SCHEDULE A RECEIPTS
FISCAL YEAR 1999 TO 2006**

ITEM	PROJECTED FY 06	ACTUAL FY 05	ACTUAL FY 04	ACTUAL FY 03	ACTUAL FY 02	ACTUAL FY 01	ACTUAL FY 00	ACTUAL FY 99
MOTOR VEHICLE EXCISE	\$ 4,600,000	\$ 4,680,209	\$ 4,260,729	\$ 4,438,140	\$ 4,127,776	\$ 3,919,368	\$ 3,770,230	\$ 3,291,131
OTHER EXCISE	\$ 43,000	\$ 47,454	\$ 44,571	\$ 52,128	\$ 69,073	\$ 75,927	\$ 63,055	\$ 56,185
PENALTIES AND INTEREST	\$ 220,000	\$ 220,875	\$ 203,838	\$ 158,815	\$ 131,076	\$ 177,166	\$ 171,002	\$ 241,921
PAYMENT IN LIEU OF TAXES	\$ 27,000	\$ 27,057	\$ 29,515	\$ 29,908	\$ 26,568	\$ 26,689	\$ 26,282	\$ 22,894
CHARGES FOR SERVICES - WATER	\$ 2,750,000	\$ 2,827,012	\$ 2,750,427	\$ 2,687,023	\$ 2,778,081	\$ 2,625,987	\$ 2,531,831	\$ 2,484,425
CHARGES FOR SERVICES - ASH DISPOSAL	\$ 520,000	\$ 570,000	\$ 961,582	\$ 1,098,492	\$ 893,950	\$ 592,754	\$ 453,309	\$ 2,138,382
FEES	\$ 118,000	\$ 118,150	\$ 138,184	\$ 198,556	\$ 120,026	\$ 89,679	\$ 88,006	\$ 99,020
RENTALS	\$ 15,000	\$ 15,698	\$ 12,764	\$ 13,238	\$ 12,240	\$ 13,391	\$ 11,791	\$ 6,796
DEPARTMENTAL REVENUE - SCHOOLS	\$ 40,000	\$ 40,501	\$ -	\$ -	\$ -	\$ 180	\$ 725	\$ 6,034
DEPARTMENTAL REVENUE - LIBRARIES	\$ -	\$ -	\$ -	\$ -	\$ 97	\$ 456	\$ 541	\$ 860
DEPARTMENTAL REVENUE - CEMETERIES	\$ 31,000	\$ 31,380	\$ 34,820	\$ 31,905	\$ 30,798	\$ 36,935	\$ 30,844	\$ 34,432
OTHER DEPARTMENTAL REVENUE	\$ 227,000	\$ 227,967	\$ 337,487	\$ 328,916	\$ 198,007	\$ 189,727	\$ 138,407	\$ 218,129
LICENSE AND PERMITS	\$ 373,000	\$ 373,429	\$ 423,937	\$ 385,023	\$ 618,764	\$ 354,409	\$ 422,312	\$ 402,511
SPECIAL ASSESSMENTS	\$ 31,000	\$ 31,575	\$ 21,584	\$ 47,422	\$ 35,456	\$ 84,848	\$ 21,434	\$ 22,615
FINES AND FORFEITS	\$ 186,000	\$ 186,372	\$ 310,446	\$ 298,028	\$ 273,867	\$ 270,726	\$ 208,634	\$ 227,023
INVESTMENT INCOME	\$ 932,000	\$ 932,675	\$ 1,229,492	\$ 1,561,045	\$ 980,007	\$ 1,753,148	\$ 1,721,010	\$ 1,605,296
MISCELLANEOUS RECURRING	\$ -	\$ -	\$ -	\$ -	\$ 17,221	\$ 22,722	\$ 32,809	\$ 27,181
MISCELLANEOUS NON-RECURRING	\$ 100,000	\$ 172,413	\$ 185,840	\$ 247,705	\$ 2,835,775	\$ -	\$ -	\$ -
MEDICAID REIMBURSEMENT	\$ 50,000	\$ 51,139	\$ 49,779	\$ 185,266	\$ 129,032	\$ 70,106	\$ 98,263	\$ 130,056
SUPPLEMENTAL TAX PROGRAM	\$ 125,000	\$ 169,937	\$ 178,455	\$ 89,088	\$ 104,070	\$ 142,235	\$ -	\$ -
ESTIMATE	\$ 10,388,000	\$ 10,723,843	\$ 11,173,450	\$ 11,850,698	\$ 13,381,884	\$ 10,446,453	\$ 9,790,485	\$ 11,014,891
OVER(UNDER)	\$ -	\$ 308,843	\$ 929,450	\$ 2,329,608	\$ 3,687,900	\$ 1,144,387	\$ 446,885	\$ 2,672,991
PERCENT OVER(UNDER)		3.0%	9.1%	24.5%	38.0%	12.3%	4.8%	32.0%

FY 2002 total includes a bond premium of \$2,384,823, AP Account Closeout of \$449,443, building permit fee of \$252,000 on the State Street Bank project and coal ash revenue of \$180,806

FY 2003 total includes a bond premium of \$247,705 and coal ash revenue of \$364,000

Exhibit 3.2
Schedule A Revenue - FY 2000 to FY 2005
(Adjusted for Bond Premiums)



**FIGURE FOUR - STATE AID AND CHARGES
FISCAL YEAR 2000 TO 2007**

Exhibit 4.1

Line Item	Fiscal Year 2006 Actual	Fiscal Year 2005 Actual	Fiscal Year 2004 Actual	Fiscal Year 2003 Actual	Fiscal Year 2002 Actual	Fiscal Year 2001 Actual	Fiscal Year 2000 Actual
REVENUE							
A. EDUCATION							
1. Chapter 70	\$ 13,800,607	\$ 11,948,701	\$ 10,287,704	\$ 8,745,774	\$ 7,590,859	\$ 6,394,912	\$ 5,616,512
2. School Transportation	\$ -	\$ -	\$ -	\$ 247,393	\$ 250,825	\$ 342,826	\$ 322,292
3. School Construction	\$ 3,792,413	\$ 3,702,732	\$ 3,697,772	\$ 496,000	\$ 496,000	\$ 496,000	\$ 598,150
5. Charter School Tuition Reimbursement	\$ 193,772	\$ 131,443	\$ 10,440	\$ -	\$ -	\$ -	\$ -
5. Tuition State Wards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,163	\$ 17,978
6. Charter School Capital Facility Reimbursement	\$ 34,870	\$ 28,196	\$ -	\$ -	\$ -	\$ -	\$ -
8. School Lunch (Offset)	\$ 28,245	\$ 26,723	\$ 27,247	\$ 25,019	\$ 22,775	\$ 20,307	\$ 20,177
Sub-Total	\$ 17,849,907	\$ 15,837,795	\$ 14,023,163	\$ 9,514,186	\$ 8,360,459	\$ 7,321,208	\$ 6,575,109
B. GENERAL GOVERNMENT							
1. Lottery, Beano & Charity Games	\$ 2,493,603	\$ 2,110,492	\$ 2,110,492	\$ 2,250,774	\$ 2,482,932	\$ 2,324,233	\$ 2,123,910
2. Additional Assistance	\$ 298,861	\$ 298,861	\$ 298,861	\$ 318,726	\$ 376,077	\$ 376,077	\$ 376,077
3. Highway Fund	\$ -	\$ -	\$ -	\$ -	\$ 51,858	\$ 207,431	\$ 207,431
6. Police Career Incentive	\$ 166,024	\$ 150,155	\$ 140,291	\$ 129,068	\$ 119,784	\$ 101,872	\$ 78,330
8. Veteran's Benefits	\$ 12,907	\$ 3,406	\$ 3,738	\$ 14,598	\$ 16,918	\$ 8,202	\$ 7,020
9. Exemptions	\$ 31,025	\$ 34,421	\$ 34,499	\$ 30,907	\$ 30,431	\$ 30,772	\$ 31,608
10. Exemptions (Elderly)	\$ 22,768	\$ 22,670	\$ 22,328	\$ 21,017	\$ 22,042	\$ 22,700	\$ 22,726
11. State Owned Land	\$ 156,870	\$ 123,183	\$ 78,725	\$ 98,335	\$ 148,013	\$ 163,750	\$ 135,760
12. Public Libraries	\$ 45,664	\$ 40,664	\$ 34,165	\$ 37,196	\$ 40,018	\$ 39,608	\$ 38,144
Sub-Total	\$ 3,227,722	\$ 2,783,852	\$ 2,723,099	\$ 2,900,621	\$ 3,288,073	\$ 3,274,645	\$ 3,021,006
Total State Aid	\$ 21,077,629	\$ 18,621,647	\$ 16,746,262	\$ 12,414,807	\$ 11,648,532	\$ 10,595,853	\$ 9,596,115
CHARGES							
County Tax	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947	\$ 49,947
Mosquito Control	\$ 52,245	\$ 47,364	\$ 47,261	\$ 40,895	\$ 35,818	\$ 39,250	\$ 39,459
Mosquito Control (Underestimate)	\$ -	\$ -	\$ -	\$ 3,659	\$ -	\$ -	\$ -
Air Pollution Districts	\$ 8,834	\$ 8,484	\$ 8,187	\$ 7,860	\$ 7,368	\$ 7,104	\$ 6,838
RMV Non-Renewal Surcharge	\$ 16,700	\$ 13,500	\$ 16,400	\$ 17,880	\$ 17,340	\$ 21,360	\$ 25,980
WRTA Assessment	\$ 71,306	\$ 82,522	\$ 80,509	\$ 78,546	\$ 76,630	\$ 74,368	\$ 73,563
Special Education	\$ -	\$ 9,648	\$ 5,501	\$ 7,010	\$ 7,010	\$ 9,529	\$ 18,155
MBTA	\$ 112,991	\$ 91,481	\$ 42,430	\$ -	\$ -	\$ -	\$ -
School Choice Tuition	\$ 104,140	\$ 78,761	\$ 45,890	\$ -	\$ -	\$ -	\$ -
Charter School Tuition	\$ 424,421	\$ 312,350	\$ 138,180	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 840,584	\$ 694,057	\$ 434,305	\$ 205,797	\$ 194,113	\$ 201,558	\$ 213,942
Overestimate - Mosquito Control	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,666	\$ 482
Overestimate - Special Education	\$ -	\$ -	\$ -	\$ 331	\$ 2,850	\$ 3,316	\$ -
Overestimate - Regional Transit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ -	\$ -	\$ 331	\$ 2,850	\$ 4,982	\$ 482
Total Net Charges	\$ 840,584	\$ 694,057	\$ 434,305	\$ 205,466	\$ 191,263	\$ 196,576	\$ 213,460
School Lunch Offset	\$ 28,245	\$ 26,723	\$ 27,247	\$ 25,019	\$ 22,775	\$ 20,307	\$ 20,177
Library Offset	\$ 45,664	\$ 40,664	\$ 34,165	\$ -	\$ 40,018	\$ 39,608	\$ 38,144
Total Off-Sets	\$ 73,909	\$ 67,387	\$ 61,412	\$ 25,019	\$ 62,793	\$ 59,915	\$ 58,321

Line Item	Fiscal Year 2006 Actual	Fiscal Year 2005 Actual	Fiscal Year 2004 Actual	Fiscal Year 2003 Actual	Fiscal Year 2002 Actual	Fiscal Year 2001 Actual	Fiscal Year 2000 Actual
"Education" Local Aid	\$ 14,057,494	\$ 12,135,063	\$ 10,325,391	\$ 9,018,186	\$ 7,864,459	\$ 6,825,208	\$ 5,976,959
"General Government" Local Aid	\$ 3,227,722	\$ 2,783,852	\$ 2,723,099	\$ 2,900,621	\$ 3,288,073	\$ 3,274,645	\$ 3,021,006
Charges and Offsets	\$ 914,493	\$ 761,444	\$ 495,717	\$ 230,485	\$ 254,056	\$ 256,491	\$ 271,781
Total	\$ 16,370,723	\$ 14,157,471	\$ 12,552,773	\$ 11,688,322	\$ 10,898,476	\$ 9,843,362	\$ 8,726,184

Indicates amount after "9C" reduction was made

EXHIBIT 5.1

Shrewsbury MBTA Assessments FY2006										Projected Base Assessments FY2007 - FY2010				
Member Community	07/01/03 Est. Census Population	Weights	Weighted Population	% of Total District	MBTA Base Assessment	RTA Assessment Credit	MBTA Prelim Assessment	Paratransit Credit	MBTA Final Assessment	% of Total Assessment	Projected Base Assessment FY2007	Projected Base Assessment FY2008	Projected Base Assessment FY2009	Projected Base Assessment FY2010
Shrewsbury	33,091	1	33,091	0.1437%	195,504	(82,522)	\$112,982	10	\$112,992	0.0831%	\$200,392	\$205,401	\$210,536	\$215,800

Note: Projections reflect the maximum assessment as they assume an inflation rate of 2.5% annually and do not take into account RTA Assessment Credits and Paratransit credits/charges.

**EXHIBIT 6.1
FREE CASH BALANCES
FISCAL YEAR 1990 TO 2006**

FISCAL YEAR END	BALANCE AS OF 7/1	AMOUNT APPROPRIATED	FOLLOWING YEAR BALANCE	GAIN/(LOSS)
2005	\$1,930,113			
2004	\$2,832,695	\$2,500,000	\$1,930,113	(\$902,582)
2003	\$3,616,392	\$2,880,000	\$2,832,695	(\$783,697)
2002	\$6,958,805	\$6,113,416	\$3,616,392	(\$3,342,413)
2001	\$4,087,506	\$2,077,612	\$6,958,805	\$2,871,299
2000	\$2,884,606	\$1,468,606	\$4,087,506	\$1,202,900
1999	\$5,588,576	\$3,928,000	\$2,884,606	(\$2,703,970)
1998	\$4,611,834	\$3,010,784	\$5,588,576	\$976,742
1997	\$4,555,647	\$3,418,656	\$4,611,834	\$56,187
1996	\$2,996,394	\$1,300,000	\$4,555,647	\$1,559,253
1995	\$3,909,803	\$3,294,500	\$2,996,394	(\$913,409)
1994	\$2,672,855	\$1,864,000	\$3,909,803	\$1,236,948
1993	\$3,039,269	\$2,030,500	\$2,672,855	(\$366,414)
1992	\$2,275,622	\$1,122,000	\$3,039,269	\$763,647
1991	\$1,560,672	\$867,000	\$2,275,622	\$714,950
1990	\$1,269,570	\$850,000	\$1,560,672	\$291,102

Indicates balance influenced by bond premium that was run through Free Cash in the amount of \$2,385,000



Moody's Investors Service

EXHIBIT 6.2

Global Credit Research

New Issue

8 NOV 2005

Save as PDF

New Issue: Shrewsbury (Town of) MA

MOODY'S ASSIGNS MIG 1 RATING TO TOWN OF SHREWSBURY'S (MA) \$6.1 MILLION GENERAL OBLIGATION BOND ANTICIPATION NOTES

Aa3 RATING AFFECTS \$77.69 MILLION IN OUTSTANDING LONG-TERM DEBT

Municipality
MA

Moody's Rating

ISSUE	RATING
Bond Anticipation Notes	MIG 1
Sale Amount \$6,100,000	
Expected Sale Date 11/09/05	
Rating Description Bond Anticipation Notes	

Opinion

NEW YORK, Nov 8, 2005 -- Moody's Investors Service has assigned a MIG 1 rating to the Town of Shrewsbury's \$6.1 million General Obligation Bond Anticipation Notes. At this time, Moody's has affirmed the Aa3 rating on the town's \$77.69 million in outstanding long-term debt. The notes are secured by the town's general obligation unlimited tax pledge, as debt service has been voted exempt from the levy limits of Proposition 2 1/2. Proceeds will refund maturing notes originally issued to acquire the 60-acre former Allen farm intended to be resold for development. The MIG1 rating reflects demonstrated market access and satisfactory credit fundamentals including a financial position that is expected to be augmented following anticipated declines in reserves in fiscal 2005 and 2006, a rapidly growing tax base reflective of the location of the community between Worcester (rated A3) and Boston (rated Aa1/stable outlook), and manageable debt burden with moderate borrowing plans.

DEMONSTRATED MARKET ACCESS

Moody's believes the BANs (dated November 23, 2005 and payable November 22, 2006) benefit from the town's demonstrated market access evident in the seven bids received on the town's August 12, 2005 note sale and the six bids received on its prior note sale dated November 24, 2004. Proceeds will refinance an outstanding BAN, the proceeds of which funded the acquisition of property that is intended to be resold to a developer. The state has extended the period of time in which the notes may remain outstanding to ten years as the town intends to repay the notes with proceeds from the resale of this land. However, the notes are ultimately secured by the town's general obligation pledge and could be refinanced with long term debt in the event the sale is delayed beyond this time frame.

SIZEABLE TAX BASE WITH SUBSTANTIAL GROWTH

Located in Worcester County near the Route 495 corridor, Shrewsbury has been a high-growth community over the past decade. Its population grew 31% from 1990 to 2000, and equalized valuation has increased a substantial 16.3% annually since 2000. The town, which is 88% residential, has added \$2.1 billion in assessed valuation in the past five years alone. Although the majority of new growth in prior years has been within the residential sector, the town is beginning to see a shift to more commercial construction. This note issue finances a land purchase representing a 60-acre site, which management plans to develop as an industrial park. Management reports new commercial development in properties adjacent to the industrial park, and a modest increase (3%) in fiscal 2006 assessed commercial values, reversing the trend of declines in commercial assessments in the last few years. Although slower than in the past, residential development continues, with a handful of multi-family construction projects in various phases of development. The value of

the average single-family home has increased to \$380,000 in fiscal 2006, a healthy 11% increase from fiscal 2005. The town's socioeconomic indices continue to strengthen, now exceeding state medians and reflected in the solid \$127,864 equalized value per capita.

FINANCIAL POSITION NARROWING

Moody's anticipates that the town's financial position will decline to a more narrow level, as it was artificially inflated by a \$2.8 million surplus in fiscal 2002, which resulted from the receipt of a bond premium. Operations in fiscal 2004 produced a modest deficit (\$260,000) and a reduction in available reserves, including Unreserved General Fund and Stabilization Fund balances, to \$5.97 million (8.1% of General Fund revenues). Available reserve levels are expected to decline \$4.8 million (pro-forma 6.4% of revenues) in fiscal 2005 as the town does not expect to fully replenish \$2.5 million appropriated from certified free cash to fund a snow removal deficit, capital expenditures and operating expenses. Despite consistent new growth revenues and an increase in state aid, management projects a further reduction in reserves in fiscal 2006 due primarily to continued pressure from pension and education expenditure increases. Voters have turned down two operating overrides in the last few years and town officials are not planning to propose another override for fiscal 2007, and service reductions are being considered to balance the budget. Moody's expects that the town will be challenged to maintain financial flexibility including satisfactory reserve levels in the near-term due to recent reliance on draws on reserves and increasing pressure from pension, salary and health care expenses. Future rating actions will incorporate the town's ability to regain structural balance and to replenish reserves to levels consistent with the Aa3 rating.

MANAGEABLE DEBT BURDEN WITH SIGNIFICANT STATE BUILDING AID

Moody's anticipates that the town's average 2.0% overall (unadjusted) debt burden will remain manageable, given an average retirement of principal (63.8% in 10 years), and significant state school building aid (64%). After adjusting for state building aid, the town's debt burden drops to a more modest 1.0%. Town officials began receiving state payments for construction of the high school in 2004, and for the middle school project in August 2005. With the large middle school and high school projects largely behind them, town officials expect more moderate debt issuance going forward. Management has cited the need for a \$10 million library expansion, a new middle school and a new fire station. The town has proposed a debt exclusion to the voters for the \$6.65 million fire station project, and plans to issue up to \$4 million in debt for the library in the next two to three years, if voters approve an additional debt exclusion. The balance of the project is expected to be funded by a state grant of approximately \$4 million and private fund raising. The town's second middle school project has been postponed pending new guidelines from the state's school construction reimbursement program.

KEY STATISTICS

2000 Population: 31,640

2005 Equalized Value: \$4.24 billion

Equalized Value per capita: \$127,864

Overall debt burden: 2.0%

Adjusted debt burden: 1.0%

Amortization of principal (10 years): 63.8%

Per Capita Income: 121.6% of the state

Median Family Income: 126.0% of the state

Fiscal 2004 General Fund balance: \$11.13 million (15.1% of revenues)

Fiscal 2004 Undesignated General Fund balance: \$2.3 million (3.2% of revenues)

Fiscal 2004 Stabilization Fund balance: \$953,000 (1.3% of revenues)

Post-sale Parity Debt Outstanding: \$77.69 million

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**Exhibit 7.1
Combined Debt Service Schedule**

<u>Issue No.</u>	<u>Date of Issue</u>	<u>Purpose</u>	<u>Type of Payment</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1	2/1/1996 2/1/2005	Floral St (EXEMPT) 9,000,000	Principal	455,000	487,600	483,000	476,100	468,350	463,000	454,450	420,500	416,000
			Interest	216,127	152,767	138,139	123,649	109,366	95,316	80,268	64,363	49,645
			Total	671,127	640,367	621,139	599,749	577,716	558,316	534,718	484,863	465,645
1	2/1/1996 2/1/2005	Floral St 1,000,000	Principal	54,500	54,250	54,500	52,900	52,000	52,000	50,550	49,500	49,000
			Interest	20,300	17,437	15,810	14,175	12,588	11,028	9,338	7,569	5,836
			Total	74,800	71,687	70,310	67,075	64,588	63,028	59,888	57,069	54,836
2	2/1/1996 2/1/2005	Town Hall Addition 1,000,000	Principal	73,100	78,150	77,500	76,000	74,650				
			Interest	13,117	9,189	6,844	4,520	2,240				
			Total	86,217	87,339	84,344	80,520	76,890				
3	6/1/1999	CATV Upgrade 5,300,000	Principal	355,000	355,000	355,000	355,000	350,000	350,000	350,000	350,000	350,000
			Interest	144,545	129,634	114,370	98,750	82,775	66,675	50,400	33,775	16,975
			Total	499,545	484,634	469,370	453,750	432,775	416,675	400,400	383,775	366,975
4	6/1/1999	Land Acquisition 3,000,000	Principal	155,000	155,000	155,000	155,000	155,000	155,000	155,000	155,000	155,000
			Interest	97,378	90,868	84,203	77,383	70,408	63,278	56,070	48,708	41,268
			Total	252,378	245,868	239,203	232,383	225,408	218,278	211,070	203,708	196,268
5	6/1/1999	Land Acquisition (HS) 2,400,000	Principal	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
			Interest	79,260	74,220	69,060	63,780	58,380	52,860	47,280	41,580	35,820
			Total	199,260	194,220	189,060	183,780	178,380	172,860	167,280	161,580	155,820
6	6/1/1999	Senior Center 1,000,000	Principal	100,000	100,000	100,000	100,000					
			Interest	17,400	13,200	8,900	4,500					
			Total	117,400	113,200	108,900	104,500					
7	10/25/2000	Title V Loan Program 86,947	Principal	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831
			Interest	0	0	0	0	0	0	0	0	0
			Total	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831
8	8/15/2001	High School 58,900,000	Principal	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000	3,075,000
			Interest	2,475,125	2,336,750	2,213,750	2,075,375	1,921,625	1,767,875	1,614,125	1,460,375	1,306,625
			Total	5,550,125	5,411,750	5,288,750	5,150,375	4,996,625	4,842,875	4,689,125	4,535,375	4,381,625
9	8/15/2001	Land Acquisition 2,000,000	Principal	115,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
			Interest	77,675	72,600	68,200	63,250	57,750	52,250	46,750	41,250	35,750
			Total	192,675	182,600	178,200	173,250	167,750	162,250	156,750	151,250	145,750

**Exhibit 7.1
Combined Debt Service Schedule**

<u>Issue No.</u>	<u>Date of Issue</u>	<u>Purpose</u>	<u>Type of Payment</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>		
10	8/15/2001	Light Upgrade 1,760,000	Principal	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000		
			Interest	66,550	61,600	57,200	52,250	46,750	41,250	35,750	30,250	24,750	19,250	
			Total	176,550	171,600	167,200	162,250	156,750	151,250	145,750	140,250	134,750	129,250	124,750
11	7/26/2001 2/1/2005	Assabet River CWMP 1,760,000	Principal	10,976	11,118	11,262	11,501	11,930	12,167	12,628	13,118	13,618	14,118	
			Interest	3,179	3,236	3,109	3,000	2,787	2,567	2,360	2,124	1,888	1,648	1,408
			Total	14,155	14,354	14,371	14,501	14,717	14,734	14,988	14,988	14,322	13,819	13,210
12	8/1/2004	Title V Loan Program 105,896	Principal	5,568	5,568	5,568	5,568	5,568	5,568	5,568	5,568	5,568		
			Interest	0	0	0	0	0	0	0	0	0	0	
			Total	5,568	5,568	5,568	5,568	5,568	5,568	5,568	5,568	5,568	5,568	
13	11/19/2004	Oak Middle School 7,400,000	Principal	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000		
			Interest	413,521	260,572	249,704	239,066	227,966	216,173	203,685	190,504	176,860	163,131	
			Total	783,521	630,572	619,704	609,066	597,966	586,173	573,685	560,504	546,860	533,131	
14	11/19/2004	North Shore School 1,250,000	Principal	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000		
			Interest	65,534	40,219	37,722	35,278	32,728	30,019	27,150	24,122	20,987	17,860	
			Total	150,534	125,219	122,722	120,278	117,728	115,019	112,150	109,122	105,987	103,140	

**Exhibit 7.1
Combined Debt Service Schedule**

Issue No.	Date of Issue	Purpose	Type of Payment	2006	2007	2008	2009	2010	2011	2012	2013	2014
Existing Debt Service												
		Total Principal		5,088,975	5,121,517	5,116,661	5,106,900	4,992,329	4,912,566	4,903,027	4,867,432	4,862,303
		Total Interest		3,689,711	3,262,292	3,067,011	2,854,976	2,625,363	2,399,291	2,173,176	1,944,620	1,716,404
		Total Payment		8,778,686	8,383,809	8,183,672	7,961,876	7,617,692	7,311,857	7,076,203	6,812,052	6,578,707
Existing Debt Service by Funding Source												
		Tax Levy		342,734	310,106	301,932	291,853	182,316	178,047	172,038	166,191	160,823
		Tax Levy (Exempted)		7,649,086	7,305,377	7,136,056	6,948,603	6,743,845	6,540,752	6,332,628	6,097,280	5,891,968
		Light & CAIV		762,312	743,573	720,914	696,520	666,415	567,925	546,150	524,025	501,725
		Sewer & Other		24,554	24,753	24,770	24,900	25,116	25,133	25,387	24,556	24,191
		Total		8,778,686	8,383,809	8,183,672	7,961,876	7,617,692	7,311,857	7,076,203	6,812,052	6,578,707
Debt Service Funded Via Tax Levy												
		Tax Levy		342,734	310,106	301,932	291,853	182,316	178,047	172,038	166,191	160,823
		Tax Rate Impact (4.250B)		\$0.08	\$0.07	\$0.07	\$0.07	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04
		Average Tax Bill (\$346,425)		\$27.93	\$25.27	\$24.61	\$23.79	\$14.86	\$14.51	\$14.02	\$13.55	\$13.11
		Tax Levy (Exempted)		7,649,086	7,305,377	7,136,056	6,948,603	6,743,845	6,540,752	6,332,628	6,097,280	5,891,968
		SBA Funding (Floral)		(585,681)	(585,681)	(585,681)	(585,681)	(585,681)	(585,681)	(585,681)	(585,681)	(585,681)
		SBA Funding (HS)		(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)
		Net Tax Levy Exempted		3,856,673	3,512,964	3,343,643	3,156,190	2,951,432	2,748,339	2,540,215	2,304,867	2,099,555
		Tax Rate Impact (4.250B)		\$0.91	\$0.83	\$0.79	\$0.74	\$0.69	\$0.65	\$0.60	\$0.54	\$0.49
		Average Tax Bill (\$346,425)		\$314.33	\$286.32	\$272.52	\$257.24	\$240.55	\$224.00	\$207.04	\$187.85	\$171.12
		Combined		\$0.99	\$0.90	\$0.86	\$0.81	\$0.74	\$0.69	\$0.64	\$0.58	\$0.53
				\$342.27	\$311.59	\$297.13	\$281.03	\$255.41	\$238.51	\$221.06	\$201.40	\$184.23

**Exhibit 7.1
Combined Debt Service Schedule**

<u>Issue No.</u>	<u>Date of Issue</u>	<u>Purpose</u>	<u>Type of Payment</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
10	8/15/2001	Light Upgrade 1,760,000	Principal	110,000	110,000	110,000	110,000					
			Interest	19,250	13,750	8,250	2,750					
			Total	129,250	123,750	118,250	112,750					
11	7/26/2001 2/1/2005	Assabet River CWMP 1,760,000	Principal	15,075	14,746	14,422	14,040	13,602	13,241	15,698		
			Interest	1,652	1,368	1,085	802	518	259	0		
			Total	16,727	16,114	15,507	14,842	14,120	13,500	15,698		
12	8/1/2004	Title V Loan Program 105,896	Principal	5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,670	5,670
			Interest									
			Total	5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,670	5,670
13	11/19/2004	Oak Middle School 7,400,000	Principal	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000	370,000
			Interest	162,754	148,185	133,384	118,585	103,785	88,754	73,260	57,443	41,394
			Total	532,754	518,185	503,384	488,585	473,785	458,754	443,260	427,443	411,394
14	11/19/2004	North Shore School 1,250,000	Principal	85,000	80,000	80,000	80,000	80,000	80,000			
			Interest	17,747	14,500	11,300	8,100	4,900	1,650			
			Total	102,747	94,500	91,300	88,100	84,900	81,650			

**Exhibit 7.1
Combined Debt Service Schedule**

Issue No.	Date of Issue	Purpose	Type of Payment	2015	2016	2017	2018	2019	2020	2021	2022	2023
Existing Debt Service												
		Total Principal		4,510,447	4,495,118	4,044,794	4,044,412	3,833,974	3,653,782	3,466,239	3,445,670	375,670
		Total Interest		1,486,903	1,273,053	1,054,894	858,112	664,078	477,538	303,635	134,193	41,394
		Total Payment		5,997,350	5,768,171	5,099,688	4,902,524	4,498,052	4,131,320	3,769,874	3,579,863	417,064
Existing Debt Service by Funding Source												
		Tax Levy		155,157	144,047	91,300	88,100	84,900	81,650	0	0	0
		Tax Levy (Exempted)		5,685,844	5,473,888	4,864,259	4,676,460	4,388,660	4,030,629	3,748,635	3,574,193	411,394
		Light & CATV		129,250	123,750	118,250	112,750	0	0	0	0	0
		Sewer & Other		27,099	26,486	25,879	25,214	24,492	19,041	21,239	5,670	5,670
		Total		5,997,350	5,768,171	5,099,688	4,902,524	4,498,052	4,131,320	3,769,874	3,579,863	417,064
Debt Service Funded Via Tax Levy												
		Tax Levy		155,157	144,047	91,300						
		Tax Rate Impact (4.250B)		\$0.04	\$0.03	\$0.02						
		Average Tax Bill (\$346,425)		\$12.65	\$11.74	\$7.44						
		Tax Levy (Exempted)		5,685,844	5,473,888	4,864,259						
		SBA Funding (Floral)		(585,681)	(585,681)	(585,681)						
		SBA Funding (HS)		(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)	(3,206,732)
		Net Tax Levy Exempted		1,893,431	1,681,475	1,071,846						
		Tax Rate Impact (4.250B)		\$0.45	\$0.40	\$0.25						
		Average Tax Bill (\$346,425)		\$154.32	\$137.05	\$87.36						
		Combined		\$0.48	\$0.43	\$0.27						
				\$166.97	\$148.79	\$94.80						

**Exhibit 7.1
Combined Debt Service Schedule**

<u>Issue No.</u>	<u>Date of Issue</u>	<u>Purpose</u>	<u>Type of Payment</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Total</u>
1	2/1/1996 2/1/2005	Floral St (EXEMPT) 9,000,000	Principal					4,938,350
			Interest					1,083,333
			Total					6,021,683
1	2/1/1996 2/1/2005	Floral St 1,000,000	Principal					564,850
			Interest					120,388
			Total					685,238
2	2/1/1996 2/1/2005	Town Hall Addition 1,000,000	Principal					379,400
			Interest					35,910
			Total					415,310
3	6/1/1999	CATV Upgrade 5,300,000	Principal					3,170,000
			Interest					737,899
			Total					3,907,899
4	6/1/1999	Land Acquisition 3,000,000	Principal					2,070,000
			Interest					720,810
			Total					2,790,810
5	6/1/1999	Land Acquisition (HS) 2,400,000	Principal					1,680,000
			Interest					612,240
			Total					2,292,240
6	6/1/1999	Senior Center 1,000,000	Principal					400,000
			Interest					44,000
			Total					444,000
7	10/25/2000	Title V Loan Program 86,947	Principal					67,634
			Interest					0
			Total					67,634
8	8/15/2001	High School 58,900,000	Principal					52,270,000
			Interest					22,089,750
			Total					74,359,750
9	8/15/2001	Land Acquisition 2,000,000	Principal					1,655,000
			Interest					614,475
			Total					2,269,475

**Exhibit 7.1
Combined Debt Service Schedule**

<u>Issue No.</u>	<u>Date of Issue</u>	<u>Purpose</u>	<u>Type of Payment</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Total</u>
10	8/15/2001	Light Upgrade	Principal					1,430,000
			Interest					460,350
			Total					1,890,350
11	7/26/2001 2/1/2005	Assabet River CWMP	Principal					206,335
			Interest					29,934
			Total					236,469
12	8/1/2004	Title V Loan Program	Principal					100,047
			Interest					0
			Total					100,047
13	11/19/2004	Oak Middle School	Principal	370,000	370,000			7,400,000
			Interest	24,975	8,325			3,138,895
			Total	394,975	378,325			10,538,895
14	11/19/2004	North Shore School	Principal					1,250,000
			Interest					371,956
			Total					1,621,956

**Exhibit 7.1
Combined Debt Service Schedule**

Issue No.	Date of Issue	Purpose	Type of Payment	2024	2025	2026	2027	Total
Existing Debt Service								
		Total Principal		370,000	370,000			77,581,816
		Total Interest		24,975	8,325			30,059,940
		Total Payment		394,975	378,325			107,641,756
Existing Debt Service by Funding Source								
		Tax Levy		0	0			2,751,194
		Tax Levy (Exempted)		394,975	378,325			98,272,853
		Light & CATV		0	0			6,213,559
		Sewer & Other		0	0			404,150
		Total		394,975	378,325			107,641,756
Debt Service Funded Via Tax Levy								
		Tax Levy						
		Tax Rate Impact (4.250B)						
		Average Tax Bill (\$346,425)						
		Tax Levy (Exempted)						
		SBA Funding (Floral)						
		SBA Funding (HS)						
		Net Tax Levy Exempted		(3,206,732)	(3,206,731)			
		Tax Rate Impact (4.250B)		(3,206,732)	(3,206,731)			
		Average Tax Bill (\$346,425)		(\$0.75)	(\$0.75)			
		Total		(\$261.36)	(\$261.36)			
		Combined		(\$0.75)	(\$0.75)			
		Total		(\$261.36)	(\$261.36)			

FIGURE 8.1
School Enrollment Projections

	1.170	1.034	1.002	1.040	1.013	k-5	1.001	1.014	1.005	6-8	9	1.005	0.979	0.991	9-12	TOTAL*	preschool	
k	1	2	3	4	5	k-5	6	7	8	8-9	9-10	10-11	11-12	12	13	14	15	
1993	285	311	308	311	257	1753	289	316	300	905	267	199	195	239	900	3558	68	3626
1994	346	316	329	308	281	1907	247	286	321	854	263	268	194	202	927	3688	76	3764
1995	339	366	329	327	324	2003	280	257	275	812	268	256	265	189	978	3793	87	3880
1996	342	381	375	340	341	323	321	288	252	861	243	255	254	249	1001	3964	76	4040
1997	330	365	400	389	348	359	330	331	291	952	196	225	264	239	924	4067	105	4172
1998	403	381	365	408	395	354	2306	328	338	1022	241	198	226	254	919	4247	134	4381
1999	359	466	395	424	394	2429	352	356	328	1036	266	234	202	219	921	4247	126	4373
2000	393	420	471	402	399	433	2518	389	361	1117	290	280	245	213	1028	4663	135	4798
2001	385	475	444	469	424	419	2616	427	400	1191	324	296	283	236	1139	4946	131	5077
2002	407	442	483	442	488	428	2690	423	426	1244	343	330	287	274	1234	5168	150	5318
2003	398	484	464	480	464	494	2784	436	437	1311	356	343	324	289	1312	5407	157	5564
2004	384	449	489	464	504	463	2753	492	444	1377	413	360	334	320	1427	5557	174	5731
2005	394	452	466	502	466	502	2782	461	486	1390	425	402	345	344	1516	5688	188	5876
2006	397	461	468	467	522	472	2787	503	467	1458	411	427	393	342	1573	5818		
2007	417	465	477	469	486	529	2842	473	509	1452	453	413	418	390	1674	5967		
2008	380	488	481	478	487	492	2806	530	479	1521	435	455	404	414	1709	6035		
2009	407	445	505	482	487	494	2829	493	537	1511	475	437	445	400	1758	6098		
2010	407	460	460	506	501	504	2847	494	499	1533	446	477	428	442	1793	6173		
2011	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2012	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2013	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2014	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2015	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2016	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2017	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2018	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2019	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2020	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2021	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2022	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2023	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2024	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2025	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2026	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2027	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2028	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2029	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2030	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2031	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2032	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2033	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2034	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2035	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2036	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2037	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2038	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2039	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2040	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2041	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2042	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2043	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2044	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2045	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2046	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2047	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2048	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2049	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2050	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2051	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2052	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2053	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2054	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2055	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2056	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2057	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2058	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2059	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2060	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2061	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2062	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2063	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2064	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2065	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2066	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2067	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2068	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		
2069	407	468	461	526	507	507	2855	504	501	1507	500	449	467	424	1840	6203		

Exhibit 8.2

NEEDS/OBJECTIVES

SHREWSBURY PRE-K - 12 SCHOOL FACILITIES STUDY

ENROLLMENT PROJECTIONS 1997 - 2005

Town Manager's Report 25 Feb 97

1997 - 2001 Very Good Accuracy / 2001-2005 Committee Estimates could have variance.

		1.103	1.036	1.019	1.030	1.042		1.012	1.025	1.008		0.882	0.969	0.994	0.998					
	k	1	2	3	4	5	K - 5	6	7	8	6 - 8	9	10	11	12	9 - 12	Total*	pre-		
																		sch.		
1987	231	270	249	242	230	232	1454	269	227	250	746	231	212	281	264	988	3188			
1988	199	238	275	258	255	240	1465	242	273	229	744	225	229	207	264	925	3134			
1989	238	201	250	280	265	265	1499	240	243	265	748	216	211	238	205	870	3117	39	3156	
1990	259	265	212	248	284	271	1539	274	242	244	760	222	215	226	230	893	3192	59	3251	
1991	281	303	259	224	261	296	1624	269	271	256	796	197	227	222	211	857	3277	66	3343	
1992	264	294	306	257	229	276	1626	310	282	276	868	217	197	228	220	862	3356	68	3424	
1993	285	311	308	311	281	257	1753	289	316	300	905	267	199	195	239	900	3558	68	3626	
1994	346	316	329	327	308	281	1907	247	286	321	854	263	268	194	202	927	3688	76	3764	
1995	339	366	329	327	324	318	2003	280	257	275	812	268	256	265	189	978	3793	87	3880	
1996	342	381	375	340	341	323	2102	321	288	252	861	243	255	254	249	1001	3964	76	4040	
1997	368	377	395	382	350	355	2228	327	329	290	946	222	235	253	253	965	4138			
1998	390	406	391	402	394	365	2347	360	335	332	1026	256	215	234	253	958	4332			
1999	420	430	421	398	414	410	2493	369	369	338	1076	293	248	214	234	988	4557			
2000	459	463	446	429	410	432	2638	415	379	372	1165	298	283	247	214	1042	4845			
2001	409	506	480	454	441	427	2718	437	425	382	1244	328	289	282	246	1144	5106			
2002	409	451	525	489	468	460	2801	433	448	429	1309	337	318	287	281	1222	5333			
2003	409	451	467	534	504	487	2853	465	443	451	1360	378	326	316	286	1306	5519			
2004	409	451	467	476	551	525	2879	493	477	447	1417	398	366	324	315	1404	5700			
2005	409	451	467	476	491	574	2868	531	506	581	1518	394	386	364	323	1468	5853			
Births																				
	k		b-k		survivals															
1987	265	1992	264	0.996		k-1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12			
1988	283	1993	285	1.007																
1989	309	1994	346	1.120		91-92	1.046	1.010	0.992	1.031	1.061	1.047	1.048	1.018	0.848	1.000	1.004	0.991		
1990	312	1995	339	1.087		92-93	1.178	1.048	1.016	1.093	1.122	1.047	1.019	1.064	0.967	0.917	0.990	1.050		
1991	299	1996	342	1.144		93-94	1.109	1.058	1.062	0.990	1.000	0.961	0.990	1.016	0.877	1.004	0.995	1.036		
		Five yr. Avg.		1.071		94-95	1.058	1.041	0.994	0.991	1.032	0.996	1.040	0.962	0.835	0.973	0.989	0.974		
						95-96	1.124	1.025	1.033	1.043	0.997	1.009	1.029	0.981	0.884	0.951	0.992	0.940		
Projection																				
1992	344	1997	368	1.071		aver.	1.103	1.036	1.019	1.030	1.042	1.012	1.025	1.008	0.882	0.969	0.994	0.998		
1993	364	1998	390	1.071																
1994	392	1999	420	1.071																
1995	429	2000	459	1.071																
Assumed																				
1996	382	2001	409	1.071		Notes:														
1997	382	2002	409	1.071		1987 - 96 are actual enrollments														
1998	382	2003	409	1.071		Projections were calculated by taking a 5-year average of the birth to kindergartensurvival for years 1987-96 and multiplying the average factor by the births recorded in 1992-95.														
1999	382	2004	409	1.071		Assumed births for 1996-2000 were calculated taking the average of the previous four years of recorded births														
2000	382	2005	409	1.071																

Exhibit 9.1

Focus

on Municipal Finance

Changes in Reporting and Funding Postemployment Benefit Costs

by Samuel R. Tyler, President,
Boston Municipal Research Bureau

Change is coming in how state and local governments will be required to account for and report their costs and obligations related to postemployment benefits such as health and life insurance for retired public employees and eligible spouses. The reporting and funding of retiree benefits is somewhat comparable to addressing the pension liability over 15 years ago and is similar to what is required of for-profit entities. These changes have potential cost implications that cities and towns should understand before fiscal year 2007 and that may require a move to a standardized statewide approach as done with pension obligations.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). A companion Statement No. 43 deals with related plans. The purpose of these statements is to improve the relevance and usefulness of financial reporting by requiring states and municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service. Massachusetts cities and towns primarily budget for OPEB on a pay-as-you-go basis and thus information about the nature and size of long-term financial obligations related to OPEB are not reported. The statements require public employers to determine the actuarial accrued liabilities associated with OPEB in a similar fashion to pensions and to re-

port the extent that these liabilities are funded and the amount of the unfunded liability in footnotes in their financial statements. The reporting format would be in accordance with Generally Accepted Accounting Principles (GAAP).

Meeting the requirements of the GASB statements will:

- Identify the OPEB unfunded actuarial accrued liability for each city and town.
- Change financial statements to reflect prospective liability but may not affect general fund balance.
- Require new expenditures for actuarial analysis every two or three years.
- Potentially require a reassessment of the business model for funding OPEB and health care.
- Result in eventual budget increases for OPEB expenses that could be substantial.

GASB Standards

The GASB is the independent, nonprofit organization established in 1984 for the purpose of creating and improving financial accounting and reporting standards for state and local governments. As the standard-setting body, GASB standards are the source of GAAP and auditors note any departures from GAAP in their opinions. Governments are usually expected to prepare financial statements in accordance with GAAP to be comparable to other governments when they issue bonds or notes.

The concept behind GASB's new statements is that OPEB, as with pensions, is a promise made to employees as a condition of their employment that is part of compensation each year. Similar to pensions, the cost of these future benefits is a part of the cost of providing public services today. Even though these benefits are not received until after employment has ended, they constitute compensation to attract and retain

qualified employees and the expenses should be associated with the years of active service.

OPEB generally takes the form of health insurance and life insurance but may also include dental, vision, prescription and other healthcare benefits provided to retirees and eligible surviving spouses or dependents of deceased employees. In Massachusetts, the state and municipalities that offer OPEB are obligated to provide retirees and eligible spouses with at least 50 percent of health and life insurance benefits and each community may choose to pay a larger percentage and provide other benefits as well. For example, Boston pays the same percent of premiums for life and health insurance for its retired employees as it does for its active employees, which in fiscal year 2003 cost \$52.3 million.

OPEB Funding Requirements

The annual OPEB cost is similar in calculation to pensions, and is equal to the current year's estimated present value of benefits earned during the year (normal costs) and a component for amortization of the total unfunded actuarial accrued liabilities over a period not to exceed 30 years. The actuarial calculations are required to take into account the benefits expected to be earned by employees in the future and those benefits the employees have already earned. OPEB requires similar additional actuarial valuations, performed in accordance with GASB parameters, every two years for cities and towns with 200 or more members (both active employees and retirees) or every three years for plans with fewer than 200. Recognizing the potential added cost of these valuations, the standards allow towns with fewer than 100 plan members to estimate OPEB obligations using simplified methods and assumptions.

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Postemployment Benefit Costs

The new GASB standards are required to be implemented by the Commonwealth and cities and towns in phases based on a government's total annual revenues beginning in fiscal year 2007. Governments with total annual revenues of \$100 million or more start in fiscal year 2007, those with revenues over \$10 million but less than \$100 million in fiscal year 2008 and those under \$10 million in fiscal year 2009.

While GASB is requiring state and local governments to include a footnote in their financial statements noting the annual OPEB costs and the actuarial accrued liabilities, the statements themselves do not require any change in the funding of OPEB. However, the reporting and periodic updating of the OPEB liability and comparisons with other public entities will create pressure to reduce the liability. While the rating agencies are aware of this liability, credit reports will note the liability, providing further incentive to establish a funding plan to eliminate the unfunded OPEB liability over time.

State and Local Response

Currently, some towns, such as Wellesley, have secured special legislation authorizing them to create a special account from which to pre-fund OPEB expenses and amortized liabilities. The Wellesley legislation (Ch. 88, Acts of 2004) authorizes the town's retirement board to manage the fund and broadens its authority to invest funds beyond those investment vehicles now approved by the state. Legislation could be enacted that affords the same authority to all cities and towns. However, that approach would produce uneven results as the more affluent communities would begin to establish such funds based on actuarial assessments while other communities would approve only token funds or defer altogether and maintain the pay-as-you-go practice.

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The Commonwealth's response to the GASB requirements could start with authorization of a study commission to evaluate and report, prior to fiscal year 2007, the estimate of the liability for the Commonwealth and cities and towns. Such a commission could make recommendations regarding what form of structure or business model is needed to manage this obligation and how the OPEB costs should be funded.

The potential cost implications of the GASB changes raise questions of the sustainability of supporting these costs in the mix of double-digit annual health insurance increases and pension increases that in percentage terms exceed the annual rate of revenue growth. This situation calls for a rethinking of the current business model for the management and funding of OPEB and health care in general. To help facilitate economies of scale and comparability, the long-term response to this obligation should move to a standardized statewide approach, as is the case with pension obligations. Absent any changes, state and local leaders may need to consider difficult changes in the public share of health care premiums for retired and active employees in the future.

At present, cities and towns should begin to understand the financial ramifications of the GASB standards by requesting that their pension actuaries or others perform an actuarial analysis to determine the accrued liabilities associated with OPEB and the estimate of the normal cost and amortized unfunded liability for a period of 30 years. Knowledge of this potential cost will help guide budget and other financial decisions before the standards are phased-in, starting in two years. ■

Audit Services

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The OIG recommends that the vendor conform to the rules and regulations of the Sarbanes-Oxley Act of 2002. Specific selections of the act are outlined in the guide that the OIG feels are especially important when procuring audit services. The Audit Committee Institute published *Basic Principles for Audit Committees* in 2002 that offers a foundation for audit committees to establish "best practices." One important principle is the implementation of a monitoring system. A partial listing of these principles is provided in the guide as well as the benefits the OIG believes your jurisdiction can gain from the implementation of a system to monitor audit services.

Reporting relationships between audit staff and local officials must be clearly defined to assist in the management of an audit service contract. In most cases, the vendor should report to the governing body of your jurisdiction to avoid conflicts of interest, appearance issues, or any allegations of impropriety.

Organizations like the Government Accountability Office, the National Association of Local Government Auditors, the Mid-America Intergovernmental Forum and the American Institute of Certified Public Accountants have resources for your jurisdiction to use when developing standards, procedures, guidelines, Requests for Proposals, etc. A listing of these organizations and other helpful resources is provided at the end of the guide for assistance when procuring and administering audit services.

For a copy of this guide and other OIG publications, please visit our website at www.mass.gov/ig. The Office also has an attorney dedicated to answering Chapter 30B related questions. Questions can be submitted by telephone by calling 617-722-8838. ■

1. M.G.L. Ch. 30B Sec. 1(b)(15).