

TOWN OF BEDFORD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the fiscal year ended
June 30, 2006**

Prepared by Finance Department

On the cover:

The Bedford Police Station was renovated and expanded in the mid-90's through the issuance of general obligation bonds that were exempt from the limitations of proposition 2 ½.



The Bedford Library was renovated and expanded between 1995 and 1997 through the issuance of general obligation bonds that were exempt from the limitations of proposition 2 ½.

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FISCAL YEAR ENDED JUNE 30, 2006

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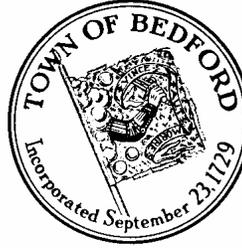
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Introductory Section

The introductory section provides general information on the Town's structure and personnel as well as information useful in assessing the Town's financial condition.



The Town Center Building renovation was completed in 2005. Funding for this project came from a combination of funds raised through the Community Preservation Act and through the issuance of general obligation bonds.



FINANCE DEPARTMENT

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Letter of Transmittal

October 11, 2006

To the Honorable Selectmen and Citizens of the Town of Bedford:

At the close of each fiscal year, state law requires the Town of Bedford to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Bedford, Massachusetts, for the fiscal year ending June 30, 2006 for your review.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and the rating agencies as well as residents and taxpayers of Bedford.

This report consists of management's representations concerning the finances of the Town of Bedford. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the Town of Bedford's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Town of Bedford's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Bedford for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town of Bedford's financial statements for the fiscal year ended June 30, 2006, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Bedford was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Bedford's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The Town of Bedford's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

Bedford was incorporated as a Town in 1729. The Town is located in eastern Massachusetts, approximately 15 miles northwest of Boston, has a population of approximately 12,500 and a land area of approximately 13.8 square miles. It is situated near the junction of Route 128 and the recently widened Route 3 to New Hampshire, which provides an excellent location for residents, businesses and commuters.

Evolving from an early 17th century colonial trading post, the Town today blends a strong sense of history, a rural small-town flavor and a progressive approach to encouraging high technology and commercial development. The Town's government holds the Massachusetts Municipal Association Pickard Innovation Award for sharing continuous quality improvement training services with other local governments in the area.

In the southern part of Bedford, straddling the contiguous Towns of Concord, Lexington and Lincoln, is Hanscom Field, a leading research facility in electronic systems and catalyst to many related firms. The Town has attracted industry since Hanscom Field was created in the 1940's; the facility has occasional military use, in addition, it is utilized by commuter/commercial air services, corporate aviation, private pilots, flight schools, some charters and light cargo carriers. Due to the airfield and its proximity to a major technology highway, Route 128, Bedford has developed into a research and high technology location with clusters of highly specialized, interrelated companies.

Quality of life is paramount and education is a top priority. Bedford is known throughout the state for its high quality school system; Bedford students consistently score in the top percentiles on national and state tests and approximately 86% of students graduating from the high school go on to higher education. The Town is the location of a campus of Middlesex Community College, several national historic landmarks, a swimming pond and lake, a bike path to the outskirts of the City of Boston and beautiful open space consisting of public garden plots, a Town forest, active and passive conservation areas and recreation land.

The Town offers a full range of services including police and fire protection, education, maintenance of streets and infrastructure, solid waste collection and disposal, health and human services, cultural and recreational, administrative and financial services. The Town is a member community of the Massachusetts Water Resources Authority (MWRA) for its water and sewer services.

The Town operates under the Selectmen, Town Manager, and Open Town Meeting form of government. The five elected Selectmen make policy decisions, and the Town Manager is responsible for carrying out the policies of the Selectmen and for managing the day-to-day operations of the Town. An elected, five-member School Committee appoints a School Superintendent who administers the public school system of the Town. School Committee members, like the Selectmen, are elected at-large to three-year staggered terms.

Any of the state's fiscal problems have only a slight impact on the delivery of services, as the Town is not highly dependent on state aid; accordingly, the Town has not been as adversely affected as other communities in Massachusetts. This leaves the Town in a position of having to rely mainly on property taxes and other local revenues to cover the increasing cost of providing services and replace any revenue lost from the state. The Town reviews its revenue sources on an ongoing basis to ensure that fees generated cover expenses incurred. This is best demonstrated by the annual water and sewer rate setting process. Also, the Town, anticipating revenue downturns, created substantial reserve accounts to deal with such circumstances; if reserves are utilized, they are generally replenished at a future Town Meeting. It is also important to note that the Town, for the last few fiscal years, has maintained a levy capacity in excess of one million dollars and intends to do so again in

FY07, even with any circumstances attributable to state and national economic downturns. This capacity, in fact, could serve as a reserve should the Town ever decide to utilize it.

Factors Affecting Economic Condition

The Town of Bedford continues to reflect a strong economic condition. The per capita income is significantly higher than state averages and the unemployment rate has always been extremely low. The Town remains a very desirable community given its close proximity to Boston and the level and quality of services provided. The residential sales market has been and continues to be, very strong, reflecting the great interest in the community.

The Town continues to maintain a strong commercial and industrial tax base; in FY06, commercial and industrial property revenue represented 39% of the Town's total tax levy capacity. The Town has several geographical advantages for commercial uses, which increase the probability of future commercial development. In order to maximize the economic and environmental benefits from the development of its remaining commercial land, the Town continues to be very proactive and certainly welcomes, supports and guides the location of desirable uses into the community.

This objective has been achieved through an attentive policy of short and long-term economic development. Specifically, the Town plans the controlled expansion of employment and commercial activity by attracting, guiding, and regulating the expansion of existing commercial buildings or the construction of new areas for the utmost social and fiscal benefit of the community. This policy promotes the careful construction of office, research, light assembly, and retail space as an alternative to unregulated development as a means of enhancing the Town's economy, employing its residents and increasing Town revenues. Residential values have increased approximately 5% from FY05 to FY06 and a similar increase is envisioned for FY07; this increase in value demonstrates the continued desirability of the Town. There are extensive proposals for new development in Bedford, including a variety of commercial and residential projects. With respect to residential growth, there are significant plans for single family homes, condominiums and rental units; approximately 25% of residential development will be for affordable housing. Bedford continues to be a very desirable location for development.

The Town was the first community in the state to adopt the Community Preservation Act, which allows for a 3% surcharge on real estate bills and is also matched by the state at 100%. Since its passage in FY 2002, the Town has collected approximately \$4.2 million from the surcharge and an additional \$4.2 million from the state. This program has provided funding for many projects in the areas of housing, recreation, open space and other land acquisition, as well as, historic preservation.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short term basis to maintain cash flow. The Town's investment options are governed by Massachusetts General Laws and focus on the sound principles of safety, liquidity and yield.

The level of budgetary control is established by Town Meeting; this approval defines the level at which expenditures may not exceed appropriations, which, is typically at the individual department level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings and by the Finance Committee, with a transfer from the reserve fund, upon request by the Selectmen or appropriate independent board.

The Town continues to manage its financial affairs in a prudent manner, as is demonstrated by its recent elevation by Standard & Poor's to an AAA bond rating and its Moody's bond rating of Aa1. The Town has been able to accomplish all this by such initiatives as;

- maintaining a six-year Capital Improvement Program
- ongoing financial modeling and forecasting for operating budgets capital and all revenues
- maintaining reserve balances despite tight budgets
- actively managing the costs of benefits
- establishing progressive reserves for retirement and post retirement benefits
- investing in technology to ensure efficient operations
- maintaining an aggressive pay as you go financing strategy for capital improvements
- investing in infrastructure
- strategic approvals for debt exclusion projects demonstrating strong community support

Since the mid 1980's, the Town desired to maintain a ten-year repayment policy, whenever possible, and a substantial portion of its current debt falls within that parameter. A large amount of recent debt, in particular, is applicable to new school construction, all of which is subject to a 57% reimbursement from the state. This policy has worked very well in structuring a smooth debt schedule. In addition, this policy permits the Town to continually address capital needs through debt replacement programs.

Since the mid-nineties, the community renovated or made substantial additions to all of its major Town and School facilities; the annual Town Meeting in March of 2006 overwhelmingly approved a Proposition 2 ½ contingent bond authorization of \$48,135,330 which supplemented previous schematic and design authorizations, for High School renovations and additions. Subsequently, at a Special Election, voters approved funding this project as a debt exclusion project, which, of course, means that the annual debt costs associated with this project will be excluded from the Proposition 2 ½ cap requirement. In addition, the Town will actively seek approval from the Massachusetts School Building Assistance Authority for reimbursement for some portion of the high school project costs, which is estimated to be approximately 42%, taking into consideration that Authority's new guidelines.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2004 and June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

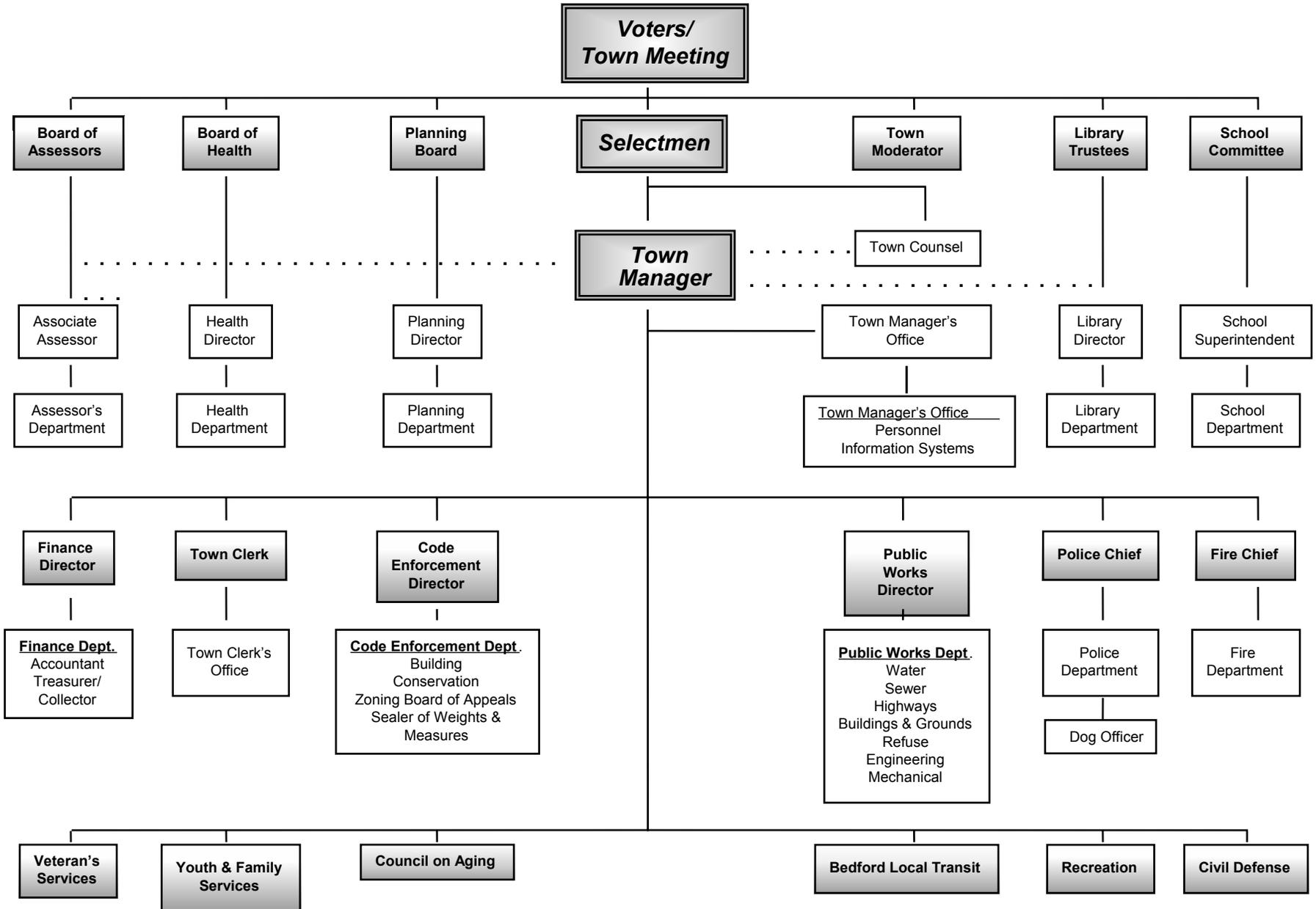
The preparation of this report would not have been possible without the efficient and dedicated services of the Town Accountant, the Treasurer/Collector and the rest of the staff of the Finance Department. We would like to also express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen, Town Manager, Finance Committee and Capital Expenditure Committee for their unfailing support for maintaining the highest standards of professionalism in the management of the Town, including its finances.

Respectfully submitted,



Peter Naum
Finance Director

Town of Bedford Organization Chart



**Town of Bedford, Massachusetts
Principal Town Officials**

<u>Office</u>	<u>Manner of Selection</u>	<u>Term</u>
Five Member Board of Selectmen	Elected	Staggered three-year terms
Town Manager	Appointed	Indefinite
Finance Director	Appointed	Indefinite
Treasurer/Collector	Appointed	Indefinite
Town Accountant	Appointed	Indefinite
Town Clerk	Appointed	Indefinite
Town Counsel	Appointed	1 year

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Bedford
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Emmer

Executive Director

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Financial Section

The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements, the notes to the financial statements, required supplementary information and combining statements.



The Town completed construction of this new DPW facility in 2005 through the issuance of general obligation bonds exempt from the limitations of proposition 2 ½.



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Independent Auditors' Report

To the Honorable Selectmen
Town of Bedford, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bedford, Massachusetts, as of and for the fiscal year ended June 30, 2006, 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 Bedford, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, each major fund, and the aggregate remaining fund information of the Town of Bedford, Massachusetts, as of June 30, 2006, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the Town of Bedford, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining fund statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Bedford, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Powers + Sullivan". The signature is written in black ink and is positioned above the date.

September 29, 2006

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Bedford, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Bedford's basic financial statements. The Town of Bedford's basic financial statements comprise 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 report functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, education, public works, water, sewer, human services, culture and recreation, interest, and other.

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 two categories: governmental 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 financing 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 funds with similar 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 decisions. 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 Bedford maintains three major governmental funds that are presented separately in the governmental fund financial statements. The remaining nonmajor funds are combined into a single, aggregate presentation. Individual fund data for each nonmajor governmental fund can be found in the combining statements elsewhere in this report.

The Town of Bedford adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town’s own programs.

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.

Entity-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The Town’s assets exceeded liabilities by \$128.4 million at the close of FY2006.

Net assets of \$95.7 million (74%) 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 \$7.5 million (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$25.1 million (20%) may be used to meet the government’s ongoing obligations to citizens and creditors.

	FY06	FY05
Assets:		
Current assets.....	\$ 48,875,646	\$ 43,376,677
Noncurrent assets (excluding capital).....	18,741,000	25,854,000
Capital assets.....	128,700,310	129,171,166
Total assets.....	196,316,956	198,401,843
Liabilities:		
Current liabilities (excluding debt).....	7,020,833	6,953,423
Noncurrent liabilities (excluding debt).....	425,000	407,000
Current debt.....	17,678,682	15,579,682
Noncurrent debt.....	42,812,670	45,980,581
Total liabilities.....	67,937,185	68,920,686
Net Assets:		
Capital assets net of related debt.....	95,710,758	100,692,223
Restricted.....	7,541,861	4,210,164
Unrestricted.....	25,127,152	24,578,770
Total net assets.....	\$ 128,379,771	\$ 129,481,157

At the end of the current fiscal year the Town was able to report positive balances in all three categories of net assets. The same situation held true in the prior year.

The governmental activities net assets decreased by \$1.1 million during the current fiscal year. This is primarily due to depreciation expense exceeding principal payments on long-term debt by approximately \$1.2 million. Comparatively, net assets increased in fiscal 2005 due to the recognition of \$4.2 million in capital school construction grants.

Condensed financial data for fiscal years 2006 and 2005 is presented below.

	FY06	FY05
Program revenues:		
Charges for services.....	\$ 9,329,047	\$ 9,901,833
Operating grants and contributions.....	12,602,391	11,394,461
Capital grants and contributions.....	2,511,723	5,589,840
General Revenues:		
Real estate and personal property taxes.....	38,005,547	37,072,390
Tax liens.....	52,735	68,389
Motor vehicle and other excise taxes.....	2,124,150	2,055,801
Community preservation tax.....	957,169	914,068
Penalties and interest on taxes.....	149,003	202,590
Payments in lieu of taxes.....	1,158,303	1,120,149
Unrestricted grants and contributions.....	1,150,260	920,307
Unrestricted investment income.....	1,740,813	1,196,331
Total revenues.....	69,781,141	70,436,159
Expenses:		
General Government.....	4,454,453	3,508,154
Public Safety.....	7,729,571	7,137,762
Education.....	38,154,240	36,069,305
Public Works.....	8,502,605	7,174,095
Water.....	1,666,657	1,203,407
Sewer.....	3,575,318	3,799,633
Human Services.....	1,188,031	1,134,207
Culture and Recreation.....	2,969,017	2,926,165
Interest.....	2,538,102	2,371,621
Other.....	104,533	100,173
Total expenses.....	70,882,527	65,424,522
Change in net assets.....	\$ (1,101,386)	\$ 5,011,637

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 \$18.7 million, a decrease of \$2.4 million from prior year. The reasons for this decrease are described below.

The **General Fund** is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund and undesignated balance of the general fund was \$6.0 million, while total fund balance was \$10.3 million. 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. Unreserved and undesignated fund balance represents 10% of total general fund expenditures, while total fund balance represents 17% of that same amount.

During fiscal year 2006, the general fund balance decreased by \$615,000. This was due primarily to the Town's planned use of reserves to fund current year operations.

The **Glenn Middle School major fund** is used to account for the renovation project at the Glenn Middle School. To finance this project, the Town has issued temporary notes totaling \$5.9 million. Through fiscal year 2006, the Town had expended \$5.7 million to complete the project. Subsequent to year end, the Town received \$5.9 million from the Massachusetts School Building Authority, which was used to pay down the temporary notes. In addition, the Town voted to rescind the unexpended appropriation of \$251,000.

The **Town Capital Projects major fund** is used to account for all of the remaining capital projects ongoing within the Town. The most significant projects included in this fund are the High School building renovations, land acquisitions, and improvements to Town water mains. Current expenditures and transfers of (\$5.4 million) were funded through the issuance of \$7.7 million of short-term debt and \$36,000 of transfers from other funds. Fund balance decreased by \$5.3 million leaving a (\$6.1 million) deficit to be funded with future long-term borrowing.

Nonmajor governmental funds had a net increase of \$3.7 million. The increase is primarily due to other financing sources in the community preservation act fund and the stabilization fund. The community preservation act fund increased by \$2.5 million from bond proceeds of \$900,000 and transfers in of \$1,600,000, from the town capital projects fund, used to fund the Town Center project. The stabilization fund experienced an increase of \$980,000 as a result of net transfers.

Financial Summary

- Tax revenue continues to be the most significant revenue source for the Town, comprising 67% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts law, which limits such increase to 2 ½ % over the preceding year plus an allowance for new growth. In FY06, additional taxes were collected outside Proposition 2 ½ for debt payments related to school, public works, public safety, and library building projects and additions.
- Intergovernmental revenue represents 17% of total general fund revenues. This includes state aid as well as \$4.4 million in on-behalf payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits.
- Motor vehicle revenue continued to be a strong source of revenue. Motor vehicle revenues represent 3% of the total general fund revenues.

- Investment income remains strong in FY06 despite lower interest rates, reflecting higher than average cash balances.
- License and permit revenue, in the Departmental & Other category, remained strong, reflecting vigorous home renovation and building activity in the Town.
- Education continues to represent the largest category of general fund expenditures, 41% in FY06. The Town is committed to providing a high-quality education through its public schools.
- Public Safety and Public Works represent a combined 16% of general fund expenditures. This reflects the Town's commitment to providing safe, secure environment and essential public services.
- Debt service costs in FY06 were 10% of total general fund expenditures, reflecting increased principal and interest payments associated with school building programs. The Town is benefiting from a 57% reimbursement form the state for school construction projects.
- Employee benefits equal 8% of total general fund expenditures in FY06, reflecting high health insurance costs experienced throughout the state and region.

General Fund Budgetary Highlights

The Town Manager is responsible for preparing and presenting the budget to the Selectmen. The Finance Committee reviews the operating budget, as well as all Town-wide financial issues and presents their recommendations to Town Meeting for approval. The Town Finance Director assists the Town Manager and both of these individuals assist and advise the nine member Finance Committee.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Finance Committee, upon request by the Selectmen or appropriate independent board, may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

There was a \$3.3 million increase between the original budget and the final amended budget. This was primarily due to a \$2,000,000 transfer to the stabilization fund and a \$680,000 increase in public works for water purchases, water main improvements, and replacement of vehicles and equipment.

Overall, the Town's operating results, on a budgetary basis, performed better than planned while at the same time achieving a balance between the need for municipal services with the costs of providing these services. Actual revenue exceeded expectations by .5% and expenditures and continuing appropriations were lower than anticipated by 2.1%.

The Town remains committed to conservative budgets, tight management controls, and to maintaining reserves, particularly the Stabilization Fund (\$3.1 million at year end). As in the past, if reserves are used, there is a planned replenishment program that is implemented.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town manages capital expenditures through a Capital Expenditure Committee (CEC). The CEC reviews and offers recommendations to Town Meeting concerning all requests for funds for capital projects submitted by School and Town Departments. These projects and their costs appear in the Capital Project Plan Article presented at the Annual Town Meeting.

The Town defines capital projects using the following guidelines:

- Any item or project expenditure of \$5,000 per item with a useful life of 2 years or more.
- By default, Operating Capital is any item between \$1,000 and \$4,999. These items are funded through departmental operating budgets and are not part of the capital article.
- Individual items of less than \$5,000 each are also considered operating capital, unless the total “bundled” amount exceeds \$30,000.
- Replacement computers are considered operating capital.

The CEC also provides the Town with a six-year projection of capital expenditures based on the various requests of Town Departments.

Subsequent to year end, the Town received its final MSBA audit of the grant request for the John Glenn Middle School Project. As a result, the Town received a lump sum payment of \$6.5 million to retire school BAN's outstanding and is scheduled to receive annual payments of approximately \$589,000 through fiscal year 2023 to reimburse for a portion of the annual debt service on the long-term bonds.

During fiscal year 2006, the Town's construction in progress decreased (net) by \$20.7 million as projects were completed and assets put into service, bringing the total Construction in Progress to approximately \$2.6 million at year end. The only project remaining in this category is the new high school project.

Outstanding long-term debt, as of June 30, 2006, totaled \$46.9 million of which \$29.9 is related to current and previous school construction and remodeling projects, \$13.7 million for public works, \$3.2 million for land acquisitions, and \$150,000 for public safety.

The Town's Bond Anticipation Notes (BAN's) outstanding increased by \$1.9 million during fiscal year 2006, bringing total BAN's outstanding to \$13.6 million at year end. Of this amount, \$5.9 million relates to the Glenn Middle School, \$2.4 million relates to the High School, \$2.3 million is for projects to be funded through the Community Preservation Act, \$425,000 is for land acquisitions and \$2.6 million relates to other Town projects, including Town Center, renovations to Old Town Hall, and other ongoing capital improvements.

Please refer to notes 4, 6 and 7 to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Bedford'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 Finance Director, Town Hall, 10 Mudge Way, Bedford, Massachusetts 01730.

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 30,781,268
Investments.....	6,701,065
Receivables, net of allowance for uncollectibles:	
Real estate and personal property taxes.....	441,659
Tax liens.....	354,379
Motor vehicle excise taxes.....	206,669
User fees.....	1,399,201
Departmental and other.....	178,454
Intergovernmental.....	8,759,182
Tax foreclosures.....	53,769
Total current assets.....	48,875,646
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	18,741,000
Capital assets - nondepreciable.....	22,168,870
Capital assets - depreciable (net of accumulated depreciation).....	106,531,440
Total noncurrent assets.....	147,441,310
TOTAL ASSETS.....	196,316,956
LIABILITIES	
CURRENT:	
Warrants payable.....	1,419,272
Accrued payroll.....	1,129,691
Health claims payable.....	61,000
Tax refunds payable.....	1,019,000
Accrued interest.....	1,106,700
Other liabilities.....	805,583
Customer deposits payable.....	824,587
Compensated absences.....	655,000
Bonds and notes payable.....	17,678,682
Total current liabilities.....	24,699,515
NONCURRENT:	
Compensated absences.....	425,000
Bonds and notes payable.....	42,812,670
Total noncurrent liabilities.....	43,237,670
TOTAL LIABILITIES.....	67,937,185
NET ASSETS	
Invested in capital assets, net of related debt.....	95,710,758
Restricted for:	
Permanent funds:	
Expendable.....	339,115
Nonexpendable.....	433,749
Grants and gifts.....	1,878,108
Community preservation.....	4,890,889
Unrestricted.....	25,127,152
TOTAL NET ASSETS.....	\$ 128,379,771

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,454,453	\$ 554,482	\$ 779,283	\$ 1,881,761	\$ (1,238,927)
Public safety.....	7,729,571	1,795,234	455,866	-	(5,478,471)
Education.....	38,154,240	697,177	9,468,266	168,210	(27,820,587)
Public works.....	8,502,605	107,146	-	458,737	(7,936,722)
Water.....	1,666,657	2,233,926	-	-	567,269
Sewer.....	3,575,318	3,176,871	-	-	(398,447)
Human services.....	1,188,031	46,283	115,336	-	(1,026,412)
Culture and recreation.....	2,969,017	674,806	1,041,032	3,015	(1,250,164)
Interest.....	2,538,102	-	742,608	-	(1,795,494)
Other.....	104,533	43,122	-	-	(61,411)
Total Governmental Activities.....	\$ <u>70,882,527</u>	\$ <u>9,329,047</u>	\$ <u>12,602,391</u>	\$ <u>2,511,723</u>	\$ <u>(46,439,366)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

		Governmental Activities
Changes in net assets:		
Net (expense) revenue from previous page.....	\$	<u>(46,439,366)</u>
<i>General revenues:</i>		
Real estate and personal property taxes, net of tax refunds payable.....		38,005,547
Tax liens.....		52,735
Motor vehicle and other excise taxes.....		1,775,459
Hotel/motel tax.....		348,691
Community preservation tax.....		957,169
Penalties and interest on taxes.....		149,003
Payments in lieu of taxes.....		1,158,303
Grants and contributions not restricted to specific programs.....		1,150,260
Unrestricted investment income.....		<u>1,740,813</u>
 Total general revenues.....		 <u>45,337,980</u>
 Change in net assets.....		 (1,101,386)
<i>Net Assets:</i>		
Beginning of year.....		<u>129,481,157</u>
End of year.....	\$	<u><u>128,379,771</u></u>
		(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2006

ASSETS	General	Glenn Middle School	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,153,732	\$ 250,693	\$ 1,948,601	\$ 14,428,242	\$ 30,781,268
Investments.....	1,094,031	-	-	5,607,034	6,701,065
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	441,659	-	-	-	441,659
Tax liens.....	354,379	-	-	-	354,379
Motor vehicle excise taxes.....	206,669	-	-	-	206,669
User fees.....	689,868	-	-	709,333	1,399,201
Departmental and other.....	136,755	-	-	41,699	178,454
Intergovernmental.....	19,978,922	5,675,078	-	1,846,182	27,500,182
Tax foreclosures.....	53,769	-	-	-	53,769
TOTAL ASSETS.....	\$ 37,109,784	\$ 5,925,771	\$ 1,948,601	\$ 22,632,490	\$ 67,616,646
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 884,812	\$ -	\$ 351,494	\$ 182,966	\$ 1,419,272
Accrued payroll.....	1,129,691	-	-	-	1,129,691
Health claims payable.....	61,000	-	-	-	61,000
Tax refunds payable.....	1,019,000	-	-	-	1,019,000
Accrued interest on short-term debt.....	403,200	-	-	-	403,200
Liabilities due depositors.....	824,587	-	-	-	824,587
Other liabilities.....	794,182	-	-	11,401	805,583
Deferred revenues.....	21,643,579	5,675,078	-	2,301,632	29,620,289
Notes payable.....	-	5,925,771	7,685,000	-	13,610,771
TOTAL LIABILITIES.....	26,760,051	11,600,849	8,036,494	2,495,999	48,893,393
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	1,916,370	-	-	-	1,916,370
Perpetual permanent funds.....	-	-	-	433,499	433,499
Unreserved:					
Designated for subsequent year's expenditures....	2,422,959	-	-	-	2,422,959
Undesignated, reported in:					
General fund.....	6,010,404	-	-	-	6,010,404
Special revenue funds.....	-	-	-	19,363,627	19,363,627
Capital projects funds.....	-	(5,675,078)	(6,087,893)	-	(11,762,971)
Permanent funds.....	-	-	-	339,365	339,365
TOTAL FUND BALANCES.....	10,349,733	(5,675,078)	(6,087,893)	20,136,491	18,723,253
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 37,109,784	\$ 5,925,771	\$ 1,948,601	\$ 22,632,490	\$ 67,616,646

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2006

Total governmental fund balances.....	\$	18,723,253
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		128,700,310
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		29,620,289
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(703,500)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(46,880,581)	
Compensated absences.....	<u>(1,080,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(47,960,581)</u>
Net assets of governmental activities.....	\$	<u><u>128,379,771</u></u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2006

	General	Glenn Middle School	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 38,852,987	\$ -	\$ -	\$ -	\$ 38,852,987
Motor vehicle and other excise taxes.....	2,033,162	-	-	-	2,033,162
Community preservation tax.....	-	-	-	957,169	957,169
Charges for services.....	2,250,192	-	-	3,442,664	5,692,856
Penalties and interest on taxes.....	149,003	-	-	-	149,003
Payments in lieu of taxes.....	1,158,303	-	-	-	1,158,303
Intergovernmental.....	9,643,490	-	-	3,976,828	13,620,318
Departmental and other.....	2,994,879	-	-	3,386,693	6,381,572
Contributions.....	-	-	-	93,829	93,829
Investment income.....	1,275,210	-	7,687	454,204	1,737,101
TOTAL REVENUES.....	58,357,226	-	7,687	12,311,387	70,676,300
EXPENDITURES:					
Current:					
General government.....	2,754,163	-	729,792	2,024,442	5,508,397
Public safety.....	5,074,875	-	420	1,056,819	6,132,114
Education.....	25,794,009	172,555	2,110,370	2,557,654	30,634,588
Public works.....	4,756,489	-	954,557	746,727	6,457,773
Water.....	1,376,498	-	-	-	1,376,498
Sewer.....	487,537	-	-	-	487,537
MWRA assessment.....	2,379,363	-	-	-	2,379,363
Human services.....	874,599	-	-	78,800	953,399
Culture and recreation.....	1,127,128	-	-	1,405,368	2,532,496
Pension benefits.....	6,035,074	-	-	-	6,035,074
Employee benefits.....	4,903,974	-	-	-	4,903,974
Other.....	104,283	-	-	250	104,533
State and county charges.....	245,823	-	-	-	245,823
Debt service:					
Principal.....	3,840,911	-	-	-	3,840,911
Interest.....	2,362,202	-	-	-	2,362,202
TOTAL EXPENDITURES.....	62,116,928	172,555	3,795,139	7,870,060	73,954,682
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,759,702)	(172,555)	(3,787,452)	4,441,327	(3,278,382)
OTHER FINANCING SOURCES (USES):					
Issuance of debt.....	-	-	-	900,000	900,000
Transfers in.....	5,213,150	-	36,000	3,615,843	8,864,993
Transfers out.....	(2,068,000)	-	(1,570,198)	(5,226,795)	(8,864,993)
TOTAL OTHER FINANCING SOURCES (USES).....	3,145,150	-	(1,534,198)	(710,952)	900,000
NET CHANGE IN FUND BALANCES.....	(614,552)	(172,555)	(5,321,650)	3,730,375	(2,378,382)
FUND BALANCES AT BEGINNING OF YEAR.....	10,964,285	(5,502,523)	(766,243)	16,406,116	21,101,635
FUND BALANCES AT END OF YEAR.....	\$ 10,349,733	\$ (5,675,078)	\$ (6,087,893)	\$ 20,136,491	\$ 18,723,253

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds.....	\$	(2,378,382)
<p>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.</p>		
Capital outlay.....	4,616,952	
Depreciation expense.....	<u>(5,087,808)</u>	
Net effect of reporting capital assets.....		(470,856)
<p>Revenues 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.....</p>		
		(895,159)
<p>The issuance of long-term debt (e.g., bonds and leases) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....	(900,000)	
Debt service principal payments.....	<u>3,840,911</u>	
Net effect of reporting long-term debt.....		2,940,911
<p>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 the governmental funds.</p>		
Net change in compensated absences accrual.....	(122,000)	
Net change in accrued interest on long-term debt.....	<u>(175,900)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(297,900)</u>
Change in net assets of governmental activities.....	\$	<u><u>(1,101,386)</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 75,532	\$ 1,097,409
Investments.....	59,404	-
TOTAL ASSETS.....	<u>134,936</u>	<u>1,097,409</u>
LIABILITIES		
Warrants payable.....	63,342	-
Liabilities due depositors.....	-	1,097,409
TOTAL LIABILITIES.....	<u>63,342</u>	<u>1,097,409</u>
NET ASSETS		
Held in trust for other purposes.....	<u>\$ 71,594</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Interest.....	\$ 3,354
<u>DEDUCTIONS:</u>	
Charitable gifts.....	2,055
CHANGE IN NET ASSETS.....	1,299
NET ASSETS AT BEGINNING OF YEAR.....	70,295
NET ASSETS AT END OF YEAR.....	<u>\$ 71,594</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Bedford, Massachusetts (the Town) has 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.

A. Reporting Entity

The Town is a municipal corporation that is governed by five elected Selectmen and an appointed Town Manager. For financial reporting purposes, the Town has included all funds, organizations, 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 financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

The Town was a member of the North East Solid Waste Committee (NESWC), a joint venture with 23 communities, organized to represent its members in all matters related to solid waste disposal at a regional waste-to-energy facility located in North Andover, Massachusetts. In accordance with a depository agreement NESWC was granted control over various funds received from contractual communities. As of July 2005, 100% of the remaining debt service was redeemed and no contingent liabilities related to the debt service exists for the member communities. NESWC was dissolved, by statute, as of September 25, 2005, at which time any remaining equity balances were to be returned to the respective member communities. The Town's final distribution of \$1,713,698 from the dissolution of NESWC has been recorded in the General Fund.

B. Jointly Governed Organizations

The East Bedford Sewer District, incorporated in July 1983 under Chapter 305 of the Acts of 1983, was formed to provide a multi-million dollar expansion of the sewer system in the District. The area of the District includes the industrial area of Bedford and is bordered by the Towns of Billerica and Burlington.

Seven commissioners, two of who are employees of the Town, serve the District. Under the Act, the commissioners are empowered to carry out all necessary activities of the District without being accountable or subject to the supervision of the Town.

All of the District projects have been completed, all debt issued by the District has been retired and all of the liabilities of the District have been satisfied. Consequently, termination of the District can now occur by vote of the commissioners. At June 30, 2006, there was approximately \$312,000 in cash remaining in the District. Upon termination of the District, all funds and other properties owned by the District will revert to the Town.

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

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

Major Fund Criteria

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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 following major governmental funds are reported:

The *General fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Glenn Middle School fund* is used to account for the upgrades and renovations to the Glenn Middle School.

The *Town Capital Projects fund* is used to account for the proceeds of bonds sold, intergovernmental grants and operating transfers in to finance major capital acquisitions and construction projects of the governmental funds.

The nonmajor governmental funds consist of other special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund 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 *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.

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 governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town maintains one human service private purpose trust fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund is comprised of performance bonds.

E. Cash and Investments

Government-Wide and Fund Financial Statements

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. Investments are carried at fair value.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

User Fees

User fees consist of water and sewer fees which are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of ambulance and tower rentals and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	20-40
Machinery and equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	5-50

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.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

J. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Deferred Revenue

Deferred revenue at the governmental 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.

L. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that 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:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” represents amounts held for school grants, highway grants and gift funds.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

Fund Financial Statements (Fund Balances)

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 balance 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.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2007 operating budget.

M. Long-term debt*Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

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

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, following termination or retirement, are reported as expenditures and fund liabilities upon maturity of the liability.

P. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

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 50% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2006, this expenditure totaled approximately \$821,000. There were 269 participants eligible to receive benefits at June 30, 2006.

Q. Individual Fund Deficits

At June 30, 2006, The Glenn Middle School Fund had a deficit of (\$5,675,078), which was funded subsequent to year end from the receipt of a capital grant from the Massachusetts School Building Authority. The Town Capital Projects Fund had a deficit of (\$6,087,893) at June 30, 2006. This deficit will be funded in future fiscal years through the issuance of general obligation bonds and other available funds.

R. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of 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 the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

S. Total Column*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents." The deposits and investments of the trust funds are held separately from those of other Town funds.

The Town follows investment policies established under Massachusetts General Laws. The Commonwealth's statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). Additionally, they allow the Town to invest trust funds in trust companies incorporated under the laws of the Commonwealth, banking companies incorporated under the laws of the Commonwealth which are members of the Federal Deposit Insurance Corporation, national banks, or invested by cities or towns in participation units in a combined investment fund or in paid-up shares and accounts of and in cooperative banks or in shares of savings and loan associations or in shares of savings deposits of federal savings and loan associations doing business in the Commonwealth to an amount not exceeding one hundred thousand dollars or in bonds or notes which are legal investments for savings banks. Municipalities having trust funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest trust funds in securities, other than mortgages and collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth provided that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy relating to custodial credit risk for deposits. At fiscal year-end, the carrying amount of deposits totaled \$28,173,286 and the bank balance totaled \$29,666,778. Of the bank balance, \$2,090,870 was covered by Federal Depository Insurance, \$3,277,600 was covered by the Depositors' Insurance Fund and \$24,298,308 was subject to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2006, the Town had the following investments:

Investment Type	Fair Value	Maturity		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt Securities</u>				
U.S. Treasury Notes.....	\$ 53,685	\$ -	\$ 44,396	\$ 9,289
Government Sponsored Enterprises....	<u>5,353,833</u>	<u>3,536,369</u>	<u>1,566,941</u>	<u>250,523</u>
Total Debt Securities.....	5,407,518	<u>\$ 3,536,369</u>	<u>\$ 1,611,337</u>	<u>\$ 259,812</u>
<u>Other Investments</u>				
Equity Securities.....	1,352,951			
Money Market Mutual Funds.....	2,178,511			
MMDT.....	<u>1,602,412</u>			
Total Investments.....	<u>\$ 10,541,392</u>			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. Of the Town’s investments, \$53,685 in U.S. Treasury Notes, \$5,353,833 in Government Sponsored Enterprises and \$1,352,951 in equity securities all have custodial credit risk exposure because the related securities are uninsured, unregistered and are not held in the Town’s name. The Town does not have a formal policy relating to custodial credit risk for investments.

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 does not have a formal policy relating to credit risk. All of the Town’s investment in debt securities are rated AAA and all other investments are unrated.

Concentration of Credit Risk

The Town limits the amount that may be invested in any one issuer to no more than 5% of an institution’s assets or no more than 10% of the Town’s total investments.

NOTE 3 - RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 441,659	\$ -	\$ 441,659
Tax liens.....	354,379	-	354,379
Motor vehicle excise taxes.....	216,527	(9,858)	206,669
User fees.....	1,399,201	-	1,399,201
Departmental and other.....	184,454	(6,000)	178,454
Intergovernmental.....	27,500,182	-	27,500,182
Total.....	<u>\$ 30,096,402</u>	<u>\$ (15,858)</u>	<u>\$ 30,080,544</u>

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. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 223,217	\$ -	\$ 223,217
Tax liens.....	354,379	-	354,379
Motor vehicle and other excise.....	206,669	-	206,669
User Fees.....	689,868	709,333	1,399,201
Departmental and other.....	136,755	41,699	178,454
Intergovernmental.....	19,978,922	7,225,678	27,204,600
Tax Foreclosures.....	53,769	-	53,769
Total.....	<u>\$ 21,643,579</u>	<u>\$ 7,976,710</u>	<u>\$ 29,620,289</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,772,068	\$ 1,779,396	\$ -	\$ 19,551,464
Construction in progress.....	23,334,159	2,617,406	(23,334,159)	2,617,406
Total capital assets not being depreciated.....	41,106,227	4,396,802	(23,334,159)	22,168,870
<u>Capital assets being depreciated:</u>				
Buildings.....	61,426,727	20,359,365	-	81,786,092
Machinery and equipment.....	2,313,039	482,799	-	2,795,838
Vehicles.....	3,908,416	843,939	-	4,752,355
Infrastructure.....	89,924,251	1,868,206	-	91,792,457
Total capital assets being depreciated.....	157,572,433	23,554,309	-	181,126,742
<u>Less accumulated depreciation for:</u>				
Buildings.....	(17,399,449)	(2,566,064)	-	(19,965,513)
Machinery and equipment.....	(1,508,566)	(231,092)	-	(1,739,658)
Vehicles.....	(2,405,681)	(423,494)	-	(2,829,175)
Infrastructure.....	(48,193,798)	(1,867,158)	-	(50,060,956)
Total accumulated depreciation.....	(69,507,494)	(5,087,808)	-	(74,595,302)
Total capital assets being depreciated, net.....	88,064,939	18,466,501	-	106,531,440
Total governmental activities capital assets, net.....	\$ 129,171,166	\$ 22,863,303	\$ (23,334,159)	\$ 128,700,310

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

Governmental Activities:	
General government.....	\$ 436,471
Public safety.....	323,599
Education.....	1,763,786
Public works.....	1,138,234
Water.....	397,358
Sewer.....	827,874
Culture and recreation.....	200,486
Total depreciation expense - governmental activities.....	\$ 5,087,808

NOTE 5 - INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:			Total
	General Fund	Town Capital Projects Fund	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ 36,000	\$ 2,032,000	\$ 2,068,000 (1)
Town Capital Projects Fund.....	2,198	-	1,568,000	1,570,198 (2)
Nonmajor Governmental Funds.....	<u>5,210,952</u>	<u>-</u>	<u>15,843</u>	<u>5,226,795</u> (3)
Total.....	<u>\$ 5,213,150</u>	<u>\$ 36,000</u>	<u>\$ 3,615,843</u>	<u>\$ 8,864,993</u>

- (1) Represents a transfer of \$2,000,000 to the Stabilization fund and \$68,000 transferred to capital projects and non-major funds for the pay-down of a portion of the short-term debt outstanding at June 30, 2005.
- (2) Represents unused prior year articles from the capital projects and a transfer for \$1,568,000 from the capital projects to the Community Preservation fund for the Town Center project.
- (3) Represents transfers from the Sewer, Stabilization, Pension, Grants, Community Preservation, and Other Special Revenue Funds to finance the Town’s operating budget.

NOTE 6 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2006, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2005	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2006
BAN	Town Center.....	3.25 - 3.50%	9/28/2005	\$ 1,139,800	\$ -	\$ 1,139,800	\$ -
BAN	Middlesex Land & Easement.....	3.25 - 3.50%	9/28/2005	350,000	-	350,000	-
BAN	Water mains.....	3.25 - 3.50%	9/28/2005	700,000	-	700,000	-
BAN	Town Center.....	3.25 - 3.50%	9/28/2005	1,131,200	-	1,131,200	-
BAN	Old Town Hall.....	3.25 - 3.50%	9/28/2005	32,000	-	32,000	-
BAN	Middle School.....	3.25 - 3.50%	9/28/2005	5,925,771	-	5,925,771	-
BAN	High School.....	3.25 - 3.50%	9/28/2005	2,385,000	-	2,385,000	-
BAN	Middlesex Land & Easement.....	3.25 - 3.50%	9/28/2005	75,000	-	75,000	-
BAN	Middle School.....	4.00%	7/28/2006	-	5,925,771	-	5,925,771
BAN	High School.....	4.00%	7/28/2006	-	2,385,000	-	2,385,000
BAN	Town Center.....	4.00%	7/28/2006	-	2,235,000	-	2,235,000
BAN	Water mains.....	4.00%	7/28/2006	-	1,800,000	-	1,800,000
BAN	Water storage equipment.....	4.00%	7/28/2006	-	448,000	-	448,000
BAN	Land acquisition.....	4.00%	7/28/2006	-	425,000	-	425,000
BAN	Town Hall renovations.....	4.14%	7/28/2006	-	392,000	-	392,000
Total.....				\$ 11,738,771	\$ 13,610,771	\$ 11,738,771	\$ 13,610,771

On July 28, 2006, the Town paid down \$5,925,771 of the short-term debt outstanding at June 30, 2006 and renewed the remaining balance of \$7,685,000 at an interest rate of 4.25%, payable on May 24, 2007.

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2006, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2005	Issued	Redeemed	Outstanding at June 30, 2006
Building Addition - Public Safety.....	5.40	\$ 444,000	\$ -	\$ 444,000	\$ -
Building Addition - Library.....	5.40	403,000	-	403,000	-
Building Addition - School.....	5.40	75,000	-	75,000	-
Building Remodeling - School.....	5.40	3,000	-	3,000	-
Building Construction - School.....	4.40	8,549,830	-	659,445	7,890,385
Building Remodeling - School.....	4.40	650,000	-	50,000	600,000
Land Acquisition.....	4.30	591,500	-	54,500	537,000
Engineering Services - School.....	4.40	273,670	-	21,055	252,615
Building Addition - School.....	5.40	8,830,000	-	555,000	8,275,000
Traffic Signal Installation.....	5.40	150,000	-	30,000	120,000
Landfill Area - Closing -out.....	5.40	15,000	-	15,000	-
Water Bonds-MWRA.....	0.00	305,326	-	43,618	261,708
Sewer Bonds-MWRA.....	0.00	104,866	-	52,433	52,433
Water Bonds-MWRA.....	0.00	160,000	-	20,000	140,000
Sidewalk Construction.....	2.00	115,000	-	115,000	-
Building Construction - Public Works.....	4.05	2,230,000	-	135,000	2,095,000
Engineering Services - Streets.....	2.00	190,000	-	190,000	-
Departmental Equipment - Public Safety.....	2.83	225,000	-	75,000	150,000
Building Construction - School.....	4.11	13,180,000	-	735,000	12,445,000
Land Acquisition.....	3.97	264,700	-	17,200	247,500
Land Acquisition.....	3.97	380,550	-	24,550	356,000
Land Acquisition.....	3.98	400,000	-	25,000	375,000
Land Acquisition.....	3.97	439,750	-	28,250	411,500
Engineering Services - Public Works.....	4.05	375,556	-	22,222	353,334
Building Construction - Public Works.....	4.05	384,444	-	22,778	361,666
Building Remodeling - Town Hall.....	3.30	1,568,000	-	-	1,568,000
Outdoor Recreation Facility.....	3.50	-	900,000	-	900,000
Architectural Services Building.....	3.50	400,000	-	-	400,000
Building Remodeling - Municipal.....	3.80	3,029,000	-	-	3,029,000
Land Acquisition.....	3.83	1,275,000	-	-	1,275,000
Building Construction.....	3.82	4,685,000	-	-	4,685,000
Sewer Bonds-MWRA.....	0.00	124,300	-	24,860	99,440
Total bonds and notes payable.....		\$ 49,821,492	\$ 900,000	\$ 3,840,911	\$ 46,880,581

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

Fiscal Year	Principal	Interest	Total
2007.....	\$ 4,067,911	\$ 1,919,541	\$ 5,987,452
2008.....	3,813,478	1,768,009	5,581,487
2009.....	3,733,478	1,621,590	5,355,068
2010.....	3,283,478	1,492,145	4,775,623
2011.....	3,253,618	1,369,753	4,623,371
2012.....	2,918,618	1,246,777	4,165,395
2013.....	2,840,000	1,127,116	3,967,116
2014.....	2,815,000	1,005,019	3,820,019
2015.....	2,810,000	882,670	3,692,670
2016.....	2,810,000	760,394	3,570,394
2017.....	2,755,000	635,965	3,390,965
2018.....	2,755,000	511,846	3,266,846
2019.....	2,030,000	385,488	2,415,488
2020.....	2,025,000	293,300	2,318,300
2021.....	2,025,000	199,693	2,224,693
2022.....	1,380,000	120,869	1,500,869
2023.....	1,210,000	58,916	1,268,916
2024.....	355,000	7,345	362,345
Totals.....	\$ <u>46,880,581</u>	\$ <u>15,406,436</u>	\$ <u>62,287,017</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loans are payable in five equal annual installments. During fiscal year 2006, the Town did not receive any funds from this program. At June 30, 2006, the outstanding principal amount of these loans totaled \$553,581.

The Commonwealth has approved school construction assistance for the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for construction costs and debt service interest of general obligation school bonds outstanding. During fiscal year 2006, \$1,500,688 of such assistance was received. Approximately \$33,835,000 will be received in future fiscal years. Of this amount, approximately \$8,181,000 represents reimbursement of long-term interest costs, and \$25,654,000 represents reimbursement of approved construction costs. Accordingly, a \$25,654,000 intergovernmental receivable and corresponding deferred revenue has been recorded in the fund based financial statements and the change in the receivable has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2006, the Town had the following authorized and unissued debt:

Purpose	Amount
Middlesex Turnpike.....	\$ 145,000
Hartwell Road MWRA Loan.....	122,760
Land Acquisition.....	4,000
Middle School.....	229
High School	48,135,330
Water Main MWRA.....	50,000
Water Bonds MWRA.....	10,000
Water Mains.....	382,433
Fire Rescue Pumper Replacement.....	410,000
Total.....	\$ 49,259,752

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Long-Term Bonds and Notes.....	\$ 49,821,492	\$ 900,000	\$ (3,840,911)	\$ 46,880,581	\$ 4,067,911
Compensated Absences.....	958,000	673,000	(551,000)	1,080,000	655,000
Total.....	\$ 50,779,492	\$ 1,573,000	\$ (4,391,911)	\$ 47,960,581	\$ 4,722,911

Compensated absence liabilities are normally paid from the funds reporting payroll and related expenses which is primarily the general fund.

NOTE 8 - SPECIAL REVENUE RESERVE

Stabilization Fund

At June 30, 2006, approximately \$3,366,000 has been set aside in a stabilization fund, which is classified as a non-major governmental fund in the fund based financial statements. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

Pension Fund

The Town has approximately \$2,124,000 in a pension fund, which is classified as a non-major governmental fund in the fund based financial statements. Upon approval during the budget process, the pension fund may be used to fund the annual pension obligation due to the Retirement System.

Post Retirement Benefits

In order to offset the anticipated costs associated with funding post retirement benefits, the Town has established a reserve account to be used to offset future costs. Through June 30, 2006, the cumulative amount of approximately \$1,249,000 has been raised for this purpose and has been classified as a non-major governmental fund in the fund financial statements.

NOTE 9 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town is self-insured for its retirees Medicare Supplement Plan. These activities are accounted for in the General Fund. At June 30, 2006 the incurred-but-not-reported claims totaled \$61,000. This estimate is based on actual claims paid. Changes in the reported liability since July 1, 2004 are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End (Current)
Fiscal Year 2005.....	\$ 56,000	\$	588,888	\$	(585,888)	\$	59,000
Fiscal Year 2006.....	59,000		657,790		(655,790)		61,000

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the Middlesex Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$4,362,000 for the fiscal year ended June 30, 2006, and, accordingly, are reported in the General Fund as Intergovernmental revenues and Pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase 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 Middlesex 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 25 Linnell Circle, Billerica, Massachusetts, 01865.

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 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal years ended June 30, 2006, 2005, and 2004 were approximately \$1,669,000, \$1,516,000, and \$1,387,000, respectively, which equaled its required contribution for each fiscal year.

NOTE 11 - COMMITMENTS

The Town is in the process of renovating and expanding the High School building. The project has been authorized for \$48,135,330. Construction began in fiscal year 2006 and the Town anticipates it will continue through fiscal year 2009.

NOTE 12 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of 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.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2006, the following GASB pronouncements were implemented:

GASB Statement #42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

GASB Statement # 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34*

GASB Statement # 47, *Accounting for Termination Benefits*.

The GASB issued Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is required to be implemented in fiscal year 2008. Management has elected to implement this statement early. This statement has not effected the basic financial statements.

Other Future GASB Pronouncements:

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 37,855,958	\$ 37,855,958	\$ 37,990,172
Motor vehicle and other excise taxes.....	-	2,087,000	2,087,000	2,087,000
Charges for services.....	-	2,040,000	2,040,000	2,040,000
Penalties and interest on taxes.....	-	-	-	-
Payments in lieu of taxes.....	-	1,158,300	1,158,300	1,158,300
Intergovernmental.....	-	5,285,586	5,285,586	5,285,586
Departmental and other.....	-	3,003,372	3,003,372	1,619,345
Investment income.....	-	1,080,000	1,080,000	1,080,000
TOTAL REVENUES.....	-	52,510,216	52,510,216	51,260,403
EXPENDITURES:				
Current:				
Selectmen.....	351,371	416,042	767,413	765,660
Finance/Administrative Services.....	58,271	797,250	855,521	965,246
Financial Committees.....	-	428,202	428,202	245,220
Board of Assessors.....	-	224,131	224,131	229,533
Legal Services.....	-	165,200	165,200	292,853
Town Clerk.....	-	155,508	155,508	161,435
Elections and Registrations.....	3,829	22,404	26,233	30,546
Planning Board.....	-	104,332	104,332	108,203
Facilities.....	247,103	651,667	898,770	956,506
Town Center.....	2,085	123,104	125,189	125,189
Police Department.....	77,702	2,515,072	2,592,774	2,581,451
Fire Department.....	4,434	1,934,365	1,938,799	2,180,925
Code Enforcement.....	6,796	352,588	359,384	368,238
School Department.....	563,745	25,278,100	25,841,845	26,023,798
Vocational Education.....	-	475,779	475,779	475,779
Public works.....	1,519,138	7,812,008	9,331,146	10,013,661
Board of Health.....	13,894	435,694	449,588	454,032
Hazardous Waste.....	-	18,500	18,500	22,393
Mosquito Control.....	-	30,500	30,500	30,500
Bedford Local Transit.....	-	47,851	47,851	47,851
Council on Aging.....	-	140,000	140,000	147,692
Youth and Family Services.....	5,000	197,993	202,993	207,272
Public Library.....	10,062	986,091	996,153	1,033,549
Recreation Commission.....	-	119,581	119,581	124,779
Historic Preservation Commission.....	502	1,200	1,702	1,702
Pension benefits.....	-	1,675,000	1,675,000	1,675,000
Insurance and Benefits.....	17,000	4,568,700	4,585,700	4,585,700
State and county charges.....	-	265,988	265,988	265,988
Debt service:				
Principal.....	-	3,840,911	3,840,911	3,840,911
Interest.....	-	2,680,700	2,680,700	2,680,700
TOTAL EXPENDITURES.....	2,880,932	56,464,461	59,345,393	60,642,312
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,880,932)	(3,954,245)	(6,835,177)	(9,381,909)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of debt.....	-	-	-	-
Final distribution from NESWC Joint Venture.....	-	-	-	1,384,027
Transfers in.....	-	5,235,650	5,235,650	5,210,952
Transfers out.....	-	(68,000)	(68,000)	(2,068,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	5,167,650	5,167,650	4,526,979
NET CHANGE IN FUND BALANCE.....	(2,880,932)	1,213,405	(1,667,527)	(4,854,930)
BUDGETARY FUND BALANCE, Beginning of year.....	10,897,530	10,897,530	10,897,530	10,897,530
BUDGETARY FUND BALANCE, End of year.....	\$ 8,016,598	\$ 12,110,935	\$ 9,230,003	\$ 6,042,600

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	38,533,701	\$ -	\$ 543,529
	2,033,162	-	(53,838)
	2,250,192	-	210,192
	149,003	-	149,003
	1,158,303	-	3
	5,281,705	-	(3,881)
	2,337,802	-	718,457
	<u>1,274,141</u>	<u>-</u>	<u>194,141</u>
	<u>53,018,009</u>	<u>-</u>	<u>1,757,606</u>
	409,321	348,987	7,352
	887,402	74,621	3,223
	477	-	244,743
	219,657	-	9,876
	244,809	34,575	13,469
	155,714	-	5,721
	27,090	3,456	-
	105,523	2,292	388
	669,224	250,103	37,179
	104,283	18,633	2,273
	2,555,430	14,597	11,424
	2,170,228	4,582	6,115
	349,217	6,217	12,804
	25,330,221	693,577	-
	475,779	-	-
	9,186,585	453,226	373,850
	444,502	9,530	-
	10,523	9,091	2,779
	30,557	-	(57)
	47,304	-	547
	145,616	-	2,076
	196,097	-	11,175
	1,003,722	26,891	2,936
	122,271	-	2,508
	1,135	567	-
	1,673,289	-	1,711
	4,247,423	-	338,277
	245,823	-	20,165
	3,840,911	-	-
	<u>2,461,665</u>	<u>-</u>	<u>219,035</u>
	<u>57,361,798</u>	<u>1,950,945</u>	<u>1,329,569</u>
	<u>(4,343,789)</u>	<u>(1,950,945)</u>	<u>3,087,175</u>
	169,963	-	169,963
	1,713,698	-	329,671
	5,213,150	-	2,198
	<u>(2,068,000)</u>	<u>-</u>	<u>-</u>
	<u>5,028,811</u>	<u>-</u>	<u>501,832</u>
	685,022	(1,950,945)	3,589,007
	<u>10,897,530</u>	<u>-</u>	<u>-</u>
\$	<u><u>11,582,552</u></u>	<u><u>(1,950,945)</u></u>	<u><u>3,589,007</u></u>

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Finance Committee (the "Committee"). The Committee presents an annual budget to the Open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses.

Amendments to the originally adopted budget and transfers between departments require approval at a Special Town meeting. Transfers between and within departments (except for the School Department) subsequent to the approval of the annual budget, requires the approval of the Town Manager. Expenditures within the appropriation of the School Department are not restricted.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (department) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at a Special Town Meeting.

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original fiscal year 2006 approved budget authorized approximately \$59,413,000 in appropriations and other amounts to be raised. During fiscal year 2006, the Town also approved supplemental appropriations totaling approximately \$3,297,000.

The Town Accountant's Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

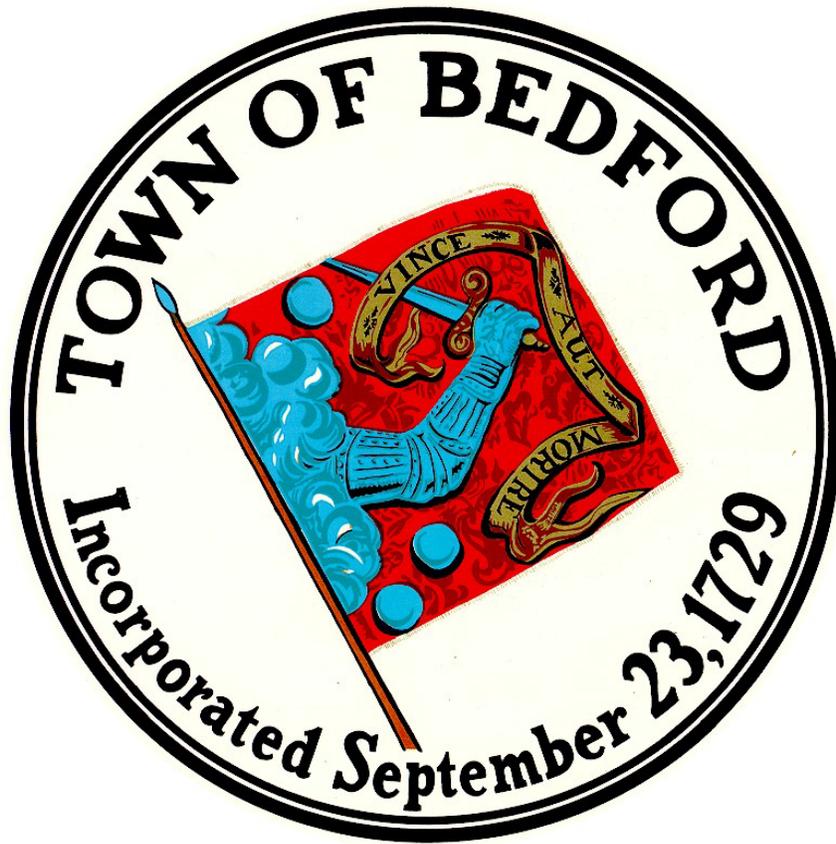
For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2006, is presented below:

Net change in fund balances, budgetary basis.....	\$ 685,022
<u>Perspective difference:</u>	
Net change in joint venture.....	(1,527,000)
Activity of health care trust recorded in the general fund for GAAP.....	2,918
<u>Basis of accounting differences:</u>	
Recognition of revenue based on available criteria.....	(1,323)
Net change in 60 day receipts.....	102,286
Net change in tax refunds payable.....	217,000
Net change in accrued interest.....	(70,500)
Increase in revenue due to on-behalf payments.....	4,361,785
Net change in recording expenditures.....	(22,955)
Increase in expenditures due to on-behalf payments.....	<u>(4,361,785)</u>
Net change in fund balances, GAAP basis.....	<u>\$ (614,552)</u>

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2006, actual expenditures exceeded appropriations by \$57 for mosquito control. This over-expenditure will be funded through available funds during fiscal year 2007.

Combining Statements



Nonmajor Governmental Fund

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital project funds) that are restricted by law or administrative action to expenditures for specified purposes. The Town's special revenue funds are grouped into the following categories:

Town Revolving Funds – This fund is used to account for the non-school related activity of revolving funds established in accordance with MGL Chapter 44, Section 53E ½.

School Revolving Funds – This fund is used to account for the school department's revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71.

Grants – This fund is used to account for grant funds received from state and federal governments which are designated for specific programs.

Community Preservation Funds – This fund is used to account for funds received in accordance with the Massachusetts Community Preservation Act (the "CPA"). Funds are received under the CPA through a surcharge of up to 3% of the real property tax levy and matching state grants. These funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

Other Funds – This fund is used to account for cemetery improvement funds, bequests that do not contain a non-expendable portion, and other receipts reserved for future appropriation.

Post Employment Benefits – This fund is used to account for amounts accumulated for future Town obligations related to post employment benefits.

Pension Funds – This fund is used to account for funds accumulated to fund future obligations to the Retirement system.

Gifts – This fund is used to account for gifts which have been accepted by the Town to be used for the purpose specified by the donor.

Sewer – This fund is used to account for sewer user charges. Funds are voted to be transferred from this fund annually, as available and as needed to fund the sewer budget of the general fund.

Stabilization – This fund is used to account for the accumulation of resources to provide general and/or capital reserves.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Other Trust Funds – accounts for all non library related contributions and bequests for which only earnings may be expended to benefit the government.

Library Trust Funds – accounts for gifts, bequests and contributions held for which only earnings may be expended for purposes specified by the donor in relation to library activities.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2006

	<i>Special Revenue Funds</i>				
	Town Revolving Funds	School Revolving Funds	Grants	Community Preservation Funds	Other Funds
ASSETS					
Cash and cash equivalents.....	\$ 1,041,679	\$ 5,859	\$ 676,057	\$ 3,999,649	\$ 266,998
Investments.....	-	-	-	-	1,148,172
Receivables, net of uncollectibles:					
User fees.....	-	-	-	-	-
Departmental and other.....	-	-	-	11,296	-
Intergovernmental.....	-	-	882,462	963,720	-
TOTAL ASSETS.....	\$ 1,041,679	\$ 5,859	\$ 1,558,519	\$ 4,974,665	\$ 1,415,170
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 49,506	\$ 14,742	\$ 31,091	\$ 83,876	\$ -
Other liabilities.....	(3,631)	-	15,032	-	-
Deferred revenues.....	100	-	586,764	975,031	-
TOTAL LIABILITIES.....	45,975	14,742	632,887	1,058,907	-
FUND BALANCES:					
Reserved for:					
Perpetual permanent funds.....	-	-	-	-	-
Unreserved:					
Special revenue funds.....	995,704	(8,883)	925,632	3,915,758	1,415,170
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	995,704	(8,883)	925,632	3,915,758	1,415,170
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,041,679	\$ 5,859	\$ 1,558,519	\$ 4,974,665	\$ 1,415,170

(Continued)

Post Employment Benefits	Pension Funds	Gifts	Sewer	Stabilization	Sub-total
\$ 39,152	\$ 550,488	\$ 368,679	\$ 5,015,080	\$ 2,306,626	\$ 14,270,267
1,210,179	1,573,948	-	-	1,059,062	4,991,361
-	-	-	709,333	-	709,333
-	-	-	30,403	-	41,699
-	-	-	-	-	1,846,182
<u>\$ 1,249,331</u>	<u>\$ 2,124,436</u>	<u>\$ 368,679</u>	<u>\$ 5,754,816</u>	<u>\$ 3,365,688</u>	<u>\$ 21,858,842</u>
\$ -	\$ -	\$ 2,967	\$ -	\$ -	\$ 182,182
-	-	-	-	-	11,401
-	-	-	739,737	-	2,301,632
-	-	2,967	739,737	-	2,495,215
-	-	-	-	-	-
1,249,331	2,124,436	365,712	5,015,079	3,365,688	19,363,627
-	-	-	-	-	-
<u>1,249,331</u>	<u>2,124,436</u>	<u>365,712</u>	<u>5,015,079</u>	<u>3,365,688</u>	<u>19,363,627</u>
<u>\$ 1,249,331</u>	<u>\$ 2,124,436</u>	<u>\$ 368,679</u>	<u>\$ 5,754,816</u>	<u>\$ 3,365,688</u>	<u>\$ 21,858,842</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2006

	<i>Permanent Funds</i>			Total
	Other Trust Funds	Library Trust Funds	Sub-total	Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 24,336	\$ 133,639	\$ 157,975	\$ 14,428,242
Investments.....	107,562	508,111	615,673	5,607,034
Receivables, net of uncollectibles:				
User fees.....	-	-	-	709,333
Departmental and other.....	-	-	-	41,699
Intergovernmental.....	-	-	-	1,846,182
TOTAL ASSETS.....	\$ 131,898	\$ 641,750	\$ 773,648	\$ 22,632,490
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ -	\$ 784	\$ 784	\$ 182,966
Other liabilities.....	-	-	-	11,401
Deferred revenues.....	-	-	-	2,301,632
TOTAL LIABILITIES.....	-	784	784	2,495,999
FUND BALANCES:				
Reserved for:				
Perpetual permanent funds.....	131,898	301,601	433,499	433,499
Unreserved:				
Special revenue funds.....	-	-	-	19,363,627
Permanent funds.....	-	339,365	339,365	339,365
TOTAL FUND BALANCES.....	131,898	640,966	772,864	20,136,491
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 131,898	\$ 641,750	\$ 773,648	\$ 22,632,490

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NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FISCAL YEAR ENDED JUNE 30, 2006

	<i>Special Revenue Funds</i>				
	Town Revolving Funds	School Revolving Funds	Grants	Community Preservation Funds	Other Funds
REVENUES:					
Community preservation tax.....	\$ -	\$ -	\$ -	\$ 957,169	\$ -
Charges for services.....	-	-	-	-	-
Intergovernmental.....	-	-	3,058,787	918,041	-
Departmental and other.....	2,751,099	589,038	13,650	1,305	31,451
Contributions.....	-	-	-	-	-
Investment income.....	2,679	-	455	128,983	39,453
TOTAL REVENUES.....	2,753,778	589,038	3,072,892	2,005,498	70,904
EXPENDITURES:					
Current:					
General government.....	101,591	-	5,131	1,808,903	26,774
Public safety.....	712,007	-	340,384	-	-
Education.....	349,856	604,864	1,595,548	-	-
Public works.....	9,006	-	737,721	-	-
Human services.....	39,839	-	4,292	-	-
Culture and recreation.....	1,377,996	-	10,632	-	-
Other.....	-	-	-	-	-
TOTAL EXPENDITURES.....	2,590,295	604,864	2,693,708	1,808,903	26,774
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	163,483	(15,826)	379,184	196,595	44,130
OTHER FINANCING SOURCES (USES):					
Issuance of bonds and notes.....	-	-	-	900,000	-
Transfers in.....	-	-	-	1,600,000	-
Transfers out.....	-	-	(338,843)	(132,153)	(40,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	(338,843)	2,367,847	(40,000)
NET CHANGE IN FUND BALANCES.....	163,483	(15,826)	40,341	2,564,442	4,130
FUND BALANCES AT BEGINNING OF YEAR.....	832,221	6,943	885,291	1,351,316	1,411,040
FUND BALANCES AT END OF YEAR.....	\$ 995,704	\$ (8,883)	\$ 925,632	\$ 3,915,758	\$ 1,415,170

(Continued)

	Post Employment Benefits	Pension Funds	Gifts	Sewer	Stabilization	Sub-total
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 957,169
	-	-	-	3,442,664	-	3,442,664
	-	-	-	-	-	3,976,828
	-	-	-	-	-	3,386,543
	-	-	93,829	-	-	93,829
	39,087	77,094	11,421	-	100,462	399,634
	<u>39,087</u>	<u>77,094</u>	<u>105,250</u>	<u>3,442,664</u>	<u>100,462</u>	<u>12,256,667</u>
	-	-	82,043	-	-	2,024,442
	-	-	4,428	-	-	1,056,819
	-	-	7,386	-	-	2,557,654
	-	-	-	-	-	746,727
	-	-	34,669	-	-	78,800
	-	-	14,856	-	-	1,403,484
	-	-	-	-	-	-
	-	-	143,382	-	-	7,867,926
	<u>39,087</u>	<u>77,094</u>	<u>(38,132)</u>	<u>3,442,664</u>	<u>100,462</u>	<u>4,388,741</u>
	-	-	-	-	-	900,000
	-	-	15,843	-	2,000,000	3,615,843
	-	(316,000)	-	(3,279,551)	(1,120,248)	(5,226,795)
	-	(316,000)	15,843	(3,279,551)	879,752	(710,952)
	39,087	(238,906)	(22,289)	163,113	980,214	3,677,789
	<u>1,210,244</u>	<u>2,363,342</u>	<u>388,001</u>	<u>4,851,966</u>	<u>2,385,474</u>	<u>15,685,838</u>
\$	<u>1,249,331</u>	<u>\$ 2,124,436</u>	<u>\$ 365,712</u>	<u>\$ 5,015,079</u>	<u>\$ 3,365,688</u>	<u>\$ 19,363,627</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FISCAL YEAR ENDED JUNE 30, 2006

	<u>Permanent Funds</u>			Total
	Other Trust Funds	Library Trust Funds	Sub-total	Nonmajor Governmental Funds
REVENUES:				
Community preservation tax.....	\$ -	\$ -	\$ -	\$ 957,169
Charges for services.....	-	-	-	3,442,664
Intergovernmental.....	-	-	-	3,976,828
Departmental and other.....	-	150	150	3,386,693
Contributions.....	-	-	-	93,829
Investment income.....	3,637	50,933	54,570	454,204
TOTAL REVENUES.....	3,637	51,083	54,720	12,311,387
EXPENDITURES:				
Current:				
General government.....	-	-	-	2,024,442
Public safety.....	-	-	-	1,056,819
Education.....	-	-	-	2,557,654
Public works.....	-	-	-	746,727
Human services.....	-	-	-	78,800
Culture and recreation.....	-	1,884	1,884	1,405,368
Other.....	250	-	250	250
TOTAL EXPENDITURES.....	250	1,884	2,134	7,870,060
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	3,387	49,199	52,586	4,441,327
OTHER FINANCING SOURCES (USES):				
Issuance of bonds and notes.....	-	-	-	900,000
Transfers in.....	-	-	-	3,615,843
Transfers out.....	-	-	-	(5,226,795)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	(710,952)
NET CHANGE IN FUND BALANCES.....	3,387	49,199	52,586	3,730,375
FUND BALANCES AT BEGINNING OF YEAR.....	128,511	591,767	720,278	16,406,116
FUND BALANCES AT END OF YEAR.....	\$ 131,898	\$ 640,966	\$ 772,864	\$ 20,136,491

(Concluded)

Agency Fund

This fund is used to account for performance deposits from contractors.

AGENCY FUND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2006

	July 1, 2005	Additions	Deletions	June 30, 2006
ASSETS				
Cash and cash equivalents.....	\$ 564,059	\$ 533,350	\$ -	\$ 1,097,409
LIABILITIES				
Liabilities due depositors-performance bonds.....	\$ 564,059	\$ 533,350	\$ -	\$ 1,097,409

Statistical Section

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.



This view of a newly renovated Selectmen's Meeting Room was part of a Town Hall renovation project which was completed in 2006.

Statistical Section

This part of the Town of Bedford's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets By Component

Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt.....	\$ 78,176,677	\$ 95,482,398	\$ 100,692,223	\$ 425,000
Restricted.....	3,440,266	3,610,780	4,210,164	67,937,185
Unrestricted.....	<u>28,552,709</u>	<u>25,376,342</u>	<u>24,578,770</u>	<u>95,710,758</u>
Total governmental activities net assets.....	<u>\$ 110,169,652</u>	<u>\$ 124,469,520</u>	<u>\$ 129,481,157</u>	<u>\$ 164,072,943</u>

Changes in Net Assets

Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government.....	\$ 3,807,398	\$ 3,772,895	\$ 3,508,154	\$ 4,454,453
Public safety.....	6,121,292	6,977,830	7,137,762	7,729,571
Education.....	30,977,175	32,969,852	36,069,305	38,154,240
Public works.....	6,188,942	6,369,035	7,174,095	8,502,605
Water.....	1,095,979	1,218,754	1,203,407	1,666,657
Sewer.....	3,607,768	3,583,490	3,799,633	3,575,318
Human services.....	1,041,360	1,087,001	1,134,207	1,188,031
Culture and recreation.....	2,547,382	2,742,460	2,926,165	2,969,017
Interest.....	1,718,959	2,107,999	2,371,621	2,538,102
Other.....	160,944	135,735	100,173	104,533
	<u>57,267,199</u>	<u>60,965,051</u>	<u>65,424,522</u>	<u>70,882,527</u>
Total government activities expenses.....	\$ <u>57,267,199</u>	\$ <u>60,965,051</u>	\$ <u>65,424,522</u>	\$ <u>70,882,527</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government.....	\$ 1,361,686	\$ 1,422,105	\$ 1,406,584	\$ 554,482
Public safety.....	985,997	1,157,301	1,230,217	1,795,234
Water.....	1,508,488	1,395,880	2,040,900	2,233,926
Sewer.....	2,641,437	2,972,278	3,665,038	3,176,871
Culture and recreation.....	553,367	539,172	602,368	674,806
Other.....	475,381	738,725	956,726	893,728
Operating grants and contributions.....	10,861,284	11,300,605	11,394,461	12,602,391
Capital grant and contributions.....	309,059	15,375,096	5,589,840	2,511,723
	<u>18,696,699</u>	<u>34,901,162</u>	<u>26,886,134</u>	<u>24,443,161</u>
Total government activities program revenues.....	\$ <u>18,696,699</u>	\$ <u>34,901,162</u>	\$ <u>26,886,134</u>	\$ <u>24,443,161</u>
Net (Expense)/Program Revenue.....	\$ <u><u>(38,570,500)</u></u>	\$ <u><u>(26,063,889)</u></u>	\$ <u><u>(38,538,388)</u></u>	\$ <u><u>(46,439,366)</u></u>
General Revenues and other Changes in Net Assets				
Governmental activities:				
Real estate and personal property taxes, net of tax refunds payable.....	\$ 31,778,492	\$ 34,689,227	\$ 37,072,390	\$ 38,005,547
Tax liens.....	229,811	116,756	68,389	52,735
Motor vehicle excise taxes.....	1,662,355	1,556,475	1,722,438	1,775,459
Hotel/motel tax.....	365,723	290,124	333,363	348,691
Community preservation tax.....	790,366	867,530	914,068	957,169
Penalties and interest on taxes.....	96,681	86,601	202,590	149,003
Payments in lieu of taxes.....	1,074,375	1,086,718	1,120,149	1,158,303
Grants and contributions not restricted to specific programs.....	958,429	821,154	920,307	1,150,260
Unrestricted investment income.....	1,059,414	849,172	1,196,331	1,740,813
	<u>38,015,646</u>	<u>40,363,757</u>	<u>43,550,025</u>	<u>45,337,980</u>
Total governmental activities.....	\$ <u>38,015,646</u>	\$ <u>40,363,757</u>	\$ <u>43,550,025</u>	\$ <u>45,337,980</u>
Changes in Net Assets.....	\$ <u><u>(554,854)</u></u>	\$ <u><u>14,299,868</u></u>	\$ <u><u>5,011,637</u></u>	\$ <u><u>(1,101,386)</u></u>

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved.....	\$ 2,348,585	\$ 2,669,047	\$ 4,063,611	\$ 4,765,456	\$ 5,209,614	\$ 4,748,845	\$ 4,416,955	\$ 4,075,621	\$ 2,868,941	\$ 1,916,370
Unreserved.....	<u>5,711,156</u>	<u>6,238,618</u>	<u>7,380,042</u>	<u>7,549,338</u>	<u>9,968,421</u>	<u>10,157,329</u>	<u>9,423,410</u>	<u>7,817,761</u>	<u>8,095,344</u>	<u>8,433,363</u>
Total general fund.....	<u>\$ 8,059,741</u>	<u>\$ 8,907,665</u>	<u>\$ 11,443,653</u>	<u>\$ 12,314,794</u>	<u>\$ 15,178,035</u>	<u>\$ 14,906,174</u>	<u>\$ 13,840,365</u>	<u>\$ 11,893,382</u>	<u>\$ 10,964,285</u>	<u>\$ 10,349,733</u>
All Other Governmental Funds										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,211,798	\$ 357,421	\$ 410,760	\$ 433,499
Unreserved, reported in:										
Special revenue funds.....	6,259,904	6,113,807	6,246,270	8,101,353	7,569,287	6,877,739	13,864,807	15,618,928	15,685,838	19,363,627
Capital projects funds.....	4,360,491	1,099,931	5,041,604	(4,931,415)	1,690,579	(10,811,938)	457,079	(8,081,261)	(6,268,766)	(11,762,971)
Permanent funds.....	-	-	-	-	-	-	111,586	288,571	309,518	339,365
Total all other governmental funds....	<u>\$ 10,620,395</u>	<u>\$ 7,213,738</u>	<u>\$ 11,287,874</u>	<u>\$ 3,169,938</u>	<u>\$ 9,259,866</u>	<u>\$ (3,934,199)</u>	<u>\$ 18,645,270</u>	<u>\$ 8,183,659</u>	<u>\$ 10,137,350</u>	<u>\$ 8,373,520</u>

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 23,280,966	\$ 24,405,307	\$ 26,306,348	\$ 26,994,763	\$ 30,140,869	\$ 31,423,148	\$ 31,843,800	\$ 34,846,274	\$ 36,338,335	\$ 38,852,987
Motor vehicle and excise taxes.....	1,096,770	1,690,233	1,848,276	2,010,176	2,104,318	2,046,217	2,046,311	1,841,960	2,087,997	2,033,162
Community preservation tax.....	-	-	-	-	-	762,941	790,366	867,530	914,068	957,169
Charges for Services.....	4,854,348	4,981,576	5,438,618	4,965,989	4,772,195	4,903,320	4,797,526	4,279,419	5,461,275	5,692,856
Penalties and interest on taxes.....	-	-	-	-	-	-	96,513	86,601	202,590	149,003
Intergovernmental.....	4,572,600	4,233,009	4,690,838	6,418,269	8,340,586	10,544,409	11,764,179	9,520,263	12,731,392	13,620,318
Departmental and other.....	2,871,485	4,887,167	3,766,589	3,923,794	4,378,891	4,487,716	5,403,466	5,365,426	5,349,711	6,381,572
Contributions.....	-	-	-	-	-	-	453,774	658,776	130,403	93,829
Payment in lieu of taxes.....	-	-	-	-	-	-	1,074,375	1,086,718	1,120,149	1,158,303
Investment income.....	1,006,107	982,758	1,274,838	1,330,428	1,406,603	999,760	1,059,414	849,172	1,194,734	1,737,101
Total Revenue.....	37,682,276	41,180,050	43,325,507	45,643,419	51,143,462	55,167,511	59,329,724	59,402,139	65,530,654	70,676,300
Expenditures:										
Current										
General government.....	2,011,969	2,148,657	2,629,042	2,986,394	3,751,278	4,742,806	4,664,145	4,927,798	4,111,132	4,778,605
Public safety.....	3,331,928	3,980,188	4,260,566	4,459,510	4,008,306	5,120,150	5,220,758	5,697,240	5,704,789	6,131,694
Education.....	14,974,898	17,097,748	16,854,527	18,208,572	20,157,105	22,600,379	23,790,522	27,536,759	27,601,291	28,351,663
Public works.....	7,601,660	7,543,117	8,595,804	7,857,921	8,087,938	9,248,874	6,156,118	5,007,956	5,007,137	5,503,216
Water.....	-	-	-	-	-	-	938,338	1,043,454	1,030,314	1,376,498
Sewer.....	-	-	-	-	-	-	396,484	363,749	457,225	487,537
MWRA Assessment.....	-	-	-	-	-	-	2,275,937	2,290,688	2,357,318	2,379,363
Human services.....	1,318,993	1,762,414	1,878,236	1,895,475	1,969,784	2,140,267	2,087,189	880,545	911,285	953,399
Culture and recreation.....	812,820	837,770	975,303	920,171	953,592	1,017,429	1,072,486	2,428,987	2,476,829	2,532,496
Pension and employee benefits.....	2,027,649	1,902,056	2,281,282	2,521,787	5,622,931	6,157,177	7,592,224	9,026,190	10,348,948	10,939,048
State and county charges.....	376,618	377,263	396,455	392,429	361,068	345,967	315,717	273,892	268,898	245,823
Capital outlay.....	4,550,298	4,772,101	11,489,912	10,010,878	4,827,969	12,855,728	9,906,872	6,179,177	8,907,749	3,967,694
Other.....	142,093	135,197	140,656	133,145	136,498	220,501	160,944	135,735	100,173	104,533
Debt service.....	-	-	-	-	-	-	-	-	-	-
Principal.....	2,485,000	1,928,290	1,803,290	2,623,290	2,233,290	2,843,290	2,871,048	3,944,051	3,831,051	3,840,911
Interest.....	607,035	559,982	651,310	1,112,642	1,744,534	1,565,005	1,753,230	2,074,512	2,473,221	2,362,202
Total Expenditures.....	40,240,961	43,044,783	51,956,383	53,122,214	53,854,293	68,857,573	69,202,012	71,810,733	75,587,360	73,954,682
Excess of revenues over (under) expenditures.....	(2,558,685)	(1,864,733)	(8,630,876)	(7,478,795)	(2,710,831)	(13,690,062)	(9,872,288)	(12,408,594)	(10,056,706)	(3,278,382)
Other Financing Sources (Uses)										
Issuance of bonds.....	141,450	-	15,475,000	-	11,445,000	698,342	21,168,000	-	11,081,300	900,000
Premium from issuance of bonds.....	-	-	-	-	-	-	-	-	-	-
Transfers in.....	3,744,054	3,599,926	3,531,882	3,874,481	4,158,703	4,430,198	4,251,000	5,086,931	5,220,575	8,864,993
Transfers out.....	(3,897,054)	(4,293,926)	(3,765,882)	(3,642,481)	(3,939,703)	(4,904,405)	(4,251,000)	(5,086,931)	(5,220,575)	(8,864,993)
Total other financing sources (uses).....	(11,550)	(694,000)	15,241,000	232,000	11,664,000	224,135	21,168,000	-	11,081,300	900,000
Net change in fund balance.....	\$ (2,570,235)	\$ (2,558,733)	\$ 6,610,124	\$ (7,246,795)	\$ 8,953,169	\$ (13,465,927)	\$ 11,295,712	\$ (12,408,594)	\$ 1,024,594	\$ (2,378,382)
Debt service as a percentage of noncapital expenditures.....	8.66%	6.50%	6.07%	8.67%	8.11%	7.87%	7.95%	9.92%	9.71%	8.95%

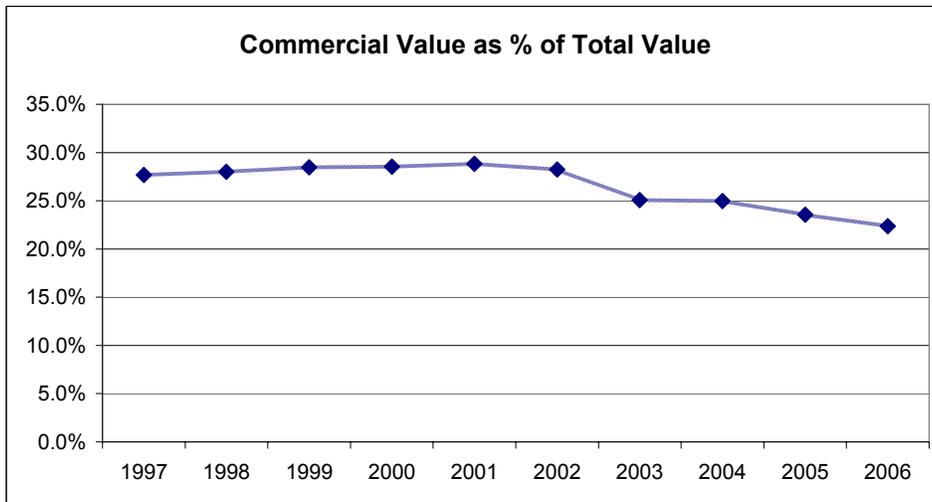
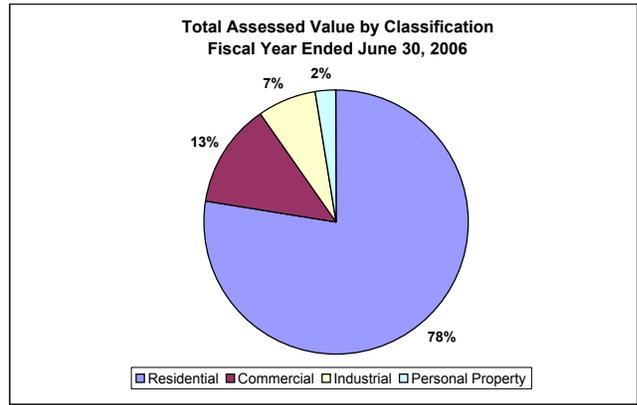
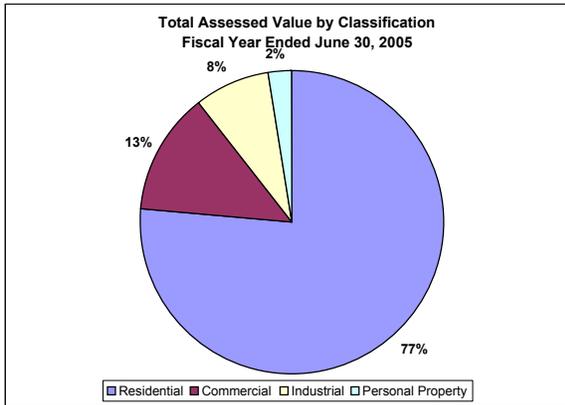
Notes:

Fiscal years 1997 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.
 In fiscal year 2001, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.
 From 1997 through 2000, "Other Revenues", were put into "Departmental and Other"
 From 1997 through 2002 Water, Sewer and MWRA Assessments are included in Public Works expenditures.
 From 1997 through 2001, Payment in Lieu of Taxes was included with Departmental and Other Revenues
 From 1997 through 2001, Penalties and Interest on Taxes was included with Departmental and Other Revenues
 From 1997 through 2002, debt service as a percentage of noncapital expenditures included capital expenditures recorded in the functional categories of current expenditures.

Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates							Total Town Value
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	
1997	\$909,385,290	\$13.63	\$126,562,510	\$188,790,000	\$32,517,300	\$347,869,810	\$31.58	\$1,257,255,100
1998	\$953,704,098	\$13.55	\$135,051,402	\$199,146,800	\$36,903,400	\$371,101,602	\$31.60	\$1,324,805,700
1999	\$1,147,881,580	\$11.97	\$191,042,620	\$226,433,900	\$39,069,700	\$456,546,220	\$28.17	\$1,604,427,800
2000	\$1,194,973,960	\$12.17	\$216,986,740	\$220,107,500	\$39,994,300	\$477,088,540	\$28.68	\$1,672,062,500
2001	\$1,339,250,178	\$11.79	\$240,004,322	\$259,462,300	\$43,477,100	\$542,943,722	\$24.90	\$1,882,193,900
2002	\$1,529,210,560	\$10.64	\$295,400,640	\$260,194,800	\$46,541,080	\$602,136,520	\$24.94	\$2,131,347,080
2003	\$1,695,483,832	\$10.77	\$321,582,468	\$195,247,600	\$50,403,300	\$567,233,368	\$25.13	\$2,262,717,200
2004	\$1,770,531,398	\$11.32	\$321,376,702	\$202,126,900	\$65,833,400	\$589,337,002	\$26.38	\$2,359,868,400
2005	\$1,942,148,370	\$11.18	\$328,604,530	\$207,834,400	\$61,502,700	\$597,941,630	\$25.42	\$2,540,090,000
2006	\$2,065,086,899	\$11.47	\$335,913,501	\$194,761,600	\$64,409,670	\$595,084,771	\$25.59	\$2,660,171,670



Source: Assessor's Department, Town of Bedford
All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers
Current Year and Nine Years Ago

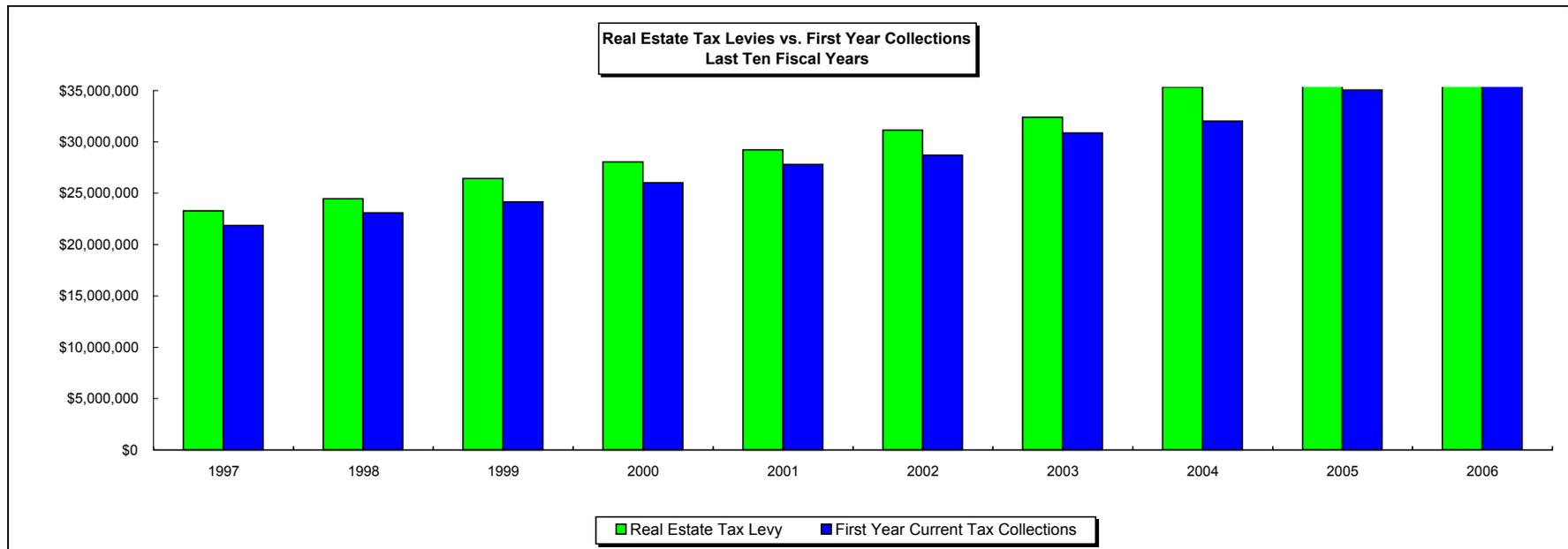
Name	Nature of Business	2006			*1997		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
BP-CROSBY CORP CTR LLC	OFFICE	\$ 31,762,300	1	2.09%			
EOP-CROSBY CORP CTR LLC	OFFICE	\$ 29,477,300	2	1.89%			
BEDFORD BUSINESS PARK LTD	R&D	\$ 27,371,500	3	1.80%			
TECHNOFORD LLC	OFFICE	\$ 26,625,300	4	1.75%			
BONE QRS 15-12 INC	OFFICE	\$ 24,312,200	5	1.60%			
BEDFORD WOODS LTD PART	OFFICE	\$ 23,854,000	6	1.57%			
MIDDLESEX TECHNOLOGY CTR	OFFICE	\$ 19,564,500	7	1.29%			
MILLIPORE FILTER CORP	R&D	\$ 18,280,700	8	1.20%	\$ 18,733,800	3	2.49%
CALLAHAN, WILLIAM J JR TR	R&D	\$ 17,755,100	9	1.15%	\$ 19,179,800	4	2.55%
C.GERARD DRUCKER, TRUSTEE	RETAIL	\$ 16,383,000	10	1.08%			
MITRE CORP	R&D				\$ 43,486,600	1	5.79%
UNITED TRUST	OFFICE				\$ 24,121,300	2	3.21%
RAYTHEON	MANUFACTURER				\$ 16,846,000	5	2.24%
ATLANTIC CORP	RETAIL				\$ 12,862,500	6	1.71%
ASF	MANUFACTURER				\$ 10,685,600	7	1.42%
RG LITTLE	OFFICE				\$ 10,456,500	8	1.39%
OA WASSERMAN	HOTEL				\$ 9,666,300	9	1.29%
MASS CENTERS	RETAIL				\$ 8,174,100	10	1.09%
	Totals	<u>\$ 235,385,900</u>		<u>15.42%</u>	<u>\$ 174,212,500</u>		<u>23.18%</u>

source: Town of Bedford, Assessor's Department
* Actual numbers from Fiscal 1996

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Less Abatements & Exemptions	Net Tax Levy	Net as % of Total	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1997	\$23,358,621	\$80,808	\$23,277,813	99.65%	\$23,087,712	99.2%	\$0	\$23,087,712	99.18%
1998	\$24,628,882	\$163,475	\$24,465,407	99.34%	\$24,174,929	98.8%	\$65,360	\$24,240,289	99.08%
1999	\$26,582,739	\$159,686	\$26,423,053	99.40%	\$26,011,408	98.4%	\$326,676	\$26,338,084	99.68%
2000	\$28,208,267	\$148,881	\$28,059,386	99.47%	\$27,795,645	99.1%	\$71,935	\$27,867,580	99.32%
2001	\$29,289,328	\$62,051	\$29,227,277	99.79%	\$28,711,952	98.2%	\$376,154	\$29,088,106	99.52%
2002	\$31,266,438	\$122,809	\$31,143,629	99.61%	\$30,868,852	99.1%	\$12,212	\$30,881,064	99.16%
2003	\$32,492,525	\$92,988	\$32,399,537	99.71%	\$32,019,624	98.8%	\$7,145	\$32,026,769	98.85%
2004	\$35,567,244	\$199,805	\$35,367,439	99.44%	\$35,062,337	99.1%	\$0	\$35,062,337	99.14%
2005	\$36,896,158	\$130,307	\$36,765,851	99.65%	\$36,453,867	99.2%	\$0	\$36,453,867	99.15%
2006	\$38,899,320	\$222,784	\$38,676,536	99.43%	\$38,372,240	99.2%	\$0	\$38,372,240	99.21%



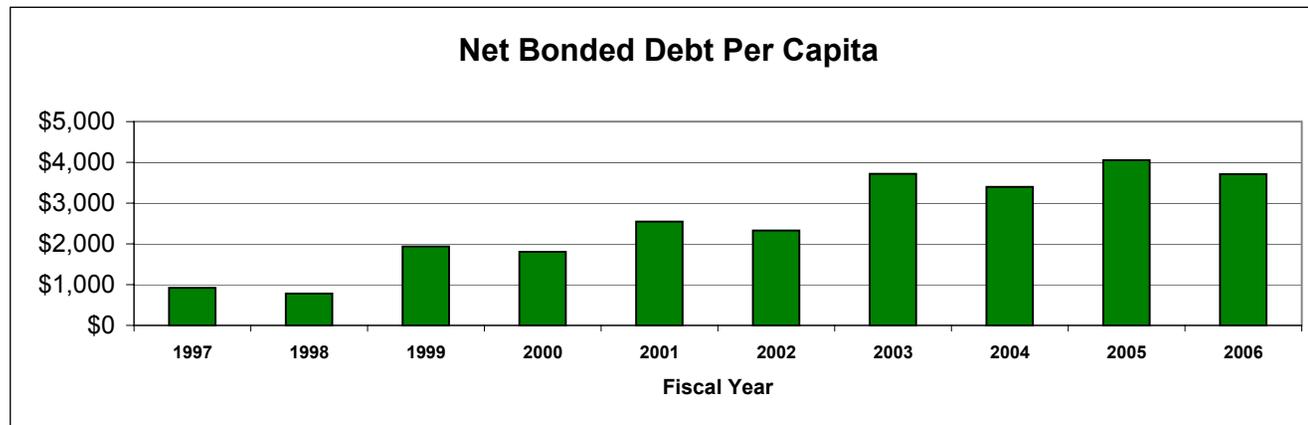
Source: Town of Bedford, Assessor's Department

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt			
				General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	12,996	470,039,328	\$1,209,689,000	\$14,375,000	\$1,106	3.06%	1.19%
1997	12,996	479,630,376	\$1,257,255,100	\$12,031,450	\$926	2.51%	0.96%
1998	12,996	489,416,364	\$1,324,805,700	\$10,103,160	\$777	2.06%	0.76%
1999	12,996	499,410,288	\$1,604,427,800	\$25,202,594	\$1,939	5.05%	1.57%
2000	12,519	490,895,028	\$1,672,062,500	\$22,582,671	\$1,804	4.60%	1.35%
2001	12,519	500,709,924	\$1,882,193,900	\$31,885,147	\$2,547	6.37%	1.69%
2002	12,519	510,725,124	\$2,131,347,080	\$29,134,342	\$2,327	5.70%	1.37%
2003	12,519	520,940,628	\$2,262,717,200	\$46,515,294	\$3,716	8.93%	2.06%
2004	12,519	531,356,436	\$2,359,868,400	\$42,571,243	\$3,401	8.01%	1.80%
2005	12,519	541,985,067	\$2,540,090,000	\$50,721,492	\$4,052	9.36%	2.00%
2006	12,519	490,895,028	\$2,660,171,670	\$46,478,873	\$3,713	9.47%	1.75%

Source: Audited Financial Statements, U. S. Census



Source: Audited Financial Statements, U. S. Census

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Equalized Valuation.....	\$ 1,293,047,700	\$ 1,293,047,700	\$ 1,412,198,800	\$ 1,412,198,800	\$ 1,794,674,400	\$ 1,794,674,400	\$ 2,270,729,600	\$ 2,270,729,600	\$ 2,632,511,200	\$ 2,632,511,200
Debt Limit -5% of Equalized Valuation.....	\$ 64,652,385	\$ 64,652,385	\$ 70,609,940	\$ 70,609,940	\$ 89,733,720	\$ 89,733,720	\$ 113,536,480	\$ 113,536,480	\$ 131,625,560	\$ 131,625,560
Less:										
Outstanding debt applicable to limit.....	\$ 12,031,450	\$ 10,103,160	\$ 23,774,870	\$ 21,151,580	\$ 30,363,290	\$ 28,218,342	\$ 46,515,294	\$ 42,571,243	\$ 50,721,492	\$ 46,478,873
Authorized and unissued debt.....	\$ 3,141,213	\$ 16,798,213	\$ 14,131,913	\$ 14,601,279	\$ 20,318,102	\$ 39,336,760	\$ 21,168,760	\$ 22,516,760	\$ 30,546,311	\$ 49,259,752
Legal debt margin.....	<u>\$ 49,479,722</u>	<u>\$ 37,751,012</u>	<u>\$ 32,703,157</u>	<u>\$ 34,857,081</u>	<u>\$ 39,052,328</u>	<u>\$ 22,178,618</u>	<u>\$ 45,852,426</u>	<u>\$ 48,448,477</u>	<u>\$ 50,357,757</u>	<u>\$ 35,886,935</u>
Total debt applicable to the limit as a percentage of the limit.....	23.47%	41.61%	53.68%	50.63%	56.48%	75.28%	59.61%	57.33%	61.74%	72.74%

Source: Audited financial Statements and Town Statement of Indebtedness

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1997	12,996	\$ 479,630,376	\$ 36,906	39.3	1,940	2.10%
1998	12,996	\$ 489,416,364	\$ 37,659	39.3	2,028	1.90%
1999	12,996	\$ 499,410,288	\$ 38,428	39.3	2,093	1.90%
2000	12,519	\$ 490,895,028	\$ 39,212	41.0	2,086	1.90%
2001	12,519	\$ 500,709,924	\$ 39,996	41.0	2,176	3.00%
2002	12,519	\$ 510,725,124	\$ 40,796	41.0	2,205	4.50%
2003	12,519	\$ 520,940,628	\$ 41,612	41.0	2,224	5.20%
2004	12,519	\$ 531,356,436	\$ 42,444	41.0	2,330	3.00%
2005	12,519	\$ 541,985,067	\$ 43,293	41.0	2,261	3.30%
2006	12,519	\$ 490,895,028	\$ 39,212	41.0	2,271	4.30%

Source: U. S. Census, Division of Local Services
 Median age is based on most recent census data

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2006			**1997		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Hanscom Field (USAF)	R&D	5,500	1	34%	5,000	1	29%
Hanscom (Mitre, Lincoln Lab)	R&D	3,992	2	24%			
MITRE Corporation	Engineering, Architecture, Surveying	1,829	3	11%	2,276	2	13%
Veterans Medical Center	Federal Government Hospital	950	4	6%	1,389	3	8%
Middlesex Community College	Community College	927	5	6%	500	9	3%
Progress Software	Computer Software Development	700	6	4%	1,000	6	6%
RSA Security	Data Security	500	7	3%			
Millipore	Fluid purification and analysis	465	8	3%	1,100	5	6%
Hologic	Manufacture of Medical Devices	400	9	2%			
Carlton Willard	Nursing Home; Assisted Living	325	10	2%			
Raytheon Corporation	Guided Missiles and Space Vehicles				1,200	4	7%
Scitex America Corp.	Computer Peripherals, Software, and Graphic Arts				800	7	5%
Computer Vision	Computer Intergraded Design				500	8	3%

Source: Massachusetts Department of Employment and Training

*Only top 9 available

** Actual numbers from Fiscal 1996

Full-time Equivalent Town Employees by Function

Last Six Fiscal Years

Function	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General government.....	108	108	105	94	113	113
Public Safety.....	63	64	65	66	66	64
Education.....	277	277	278	305	305	305
Water.....	5	5	5	5	5	5
Sewer.....	5	5	5	5	5	5
Public works.....	31	32	32	32	31	30
Human services.....	15	15	15	15	15	15
Culture and recreation.....	34	35	33	32	30	43
Total	538	542	538	554	570	580

Information for the years 1996 to 2000 is not available
 Source: Town personnel records

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Population.....	12,157	12,401	12,497	12,466	12,361	12,571	12,497	12,997	12,987	12,519
Registered Voters, Annual Town Election	7,297	7,683	7,683	8,167	8,460	8,433	8,341	8,504	8,656	8,678
Town Clerk										
Births.....	153	168	132	139	147	126	114	111	121	202
Marriages.....	87	92	101	81	76	69	75	60	61	60
Deaths.....	179	209	174	220	212	250	218	232	239	93
Police										
Accidents covered by an officer.....	271	722	358	369	784	626	725	594	612	477
Citations issued.....	2,091	2,394	3,162	3,712	2,497	2,003	2,020	1,863	2,073	2,200
Arrests.....	147	126	132	174	114	141	141	144	114	144
Larcenies.....	72	12	107	63	118	148	202	132	134	159
Total fines from violations.....	68,370	43,575	57,175	57,849	42,980	54,538	118,145	32,598	53,668	95,925
Fire										
Rescue assist.....	507	581	622	749	820	891	891	891	n/a	n/a
False alarm.....	462	390	373	315	319	308	315	319	308	284
Public assist.....	215	102	162	176	198	196	185	181	188	210
Emergency responses/Ambulance.....	804	801	890	963	1,103	887	887	887	n/a	n/a
Rescue and Emergency medical service...	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,161	1,182
Education										
Public school enrollment.....	1,940	2,028	2,086	2,176	2,295	2,344	2,399	2,470	2,260	2,271
Public Works										
Cemetery										
interments.....	54	54	60	60	60	n/a	n/a	n/a	n/a	n/a
Water										
Service connections.....	4,021	4,178	4,200	4,200	4,200	4,500	4,500	4,500	4,500	4,500
Sewer										
Service connections.....	3,173	3,348	3,350	3,350	3,350	n/a	n/a	n/a	n/a	n/a
Human Services										
Board of Health										
Inspections.....	183	206	293	602	277	312	331	354	263	247
Council on Aging										
Contacts by phone made to elderly.....	7,000	8,000	8,800	9,000	9,200	9,200	9,200	10,000	9,600	9,284
Rides provided to med. appoints.....	215	379	426	468	403	350	352	400	519	608
Libraries										
Volumes in collection.....	n/a	n/a	n/a	n/a	n/a	n/a	101,716	105,383	109,154	112,868
Circulation.....	195,939	193,538	96,052	205,697	221,734	258,718	275,808	292,370	288,829	284,622

Source: Various Town Departments
n/a - no information available

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Number of Buildings.....	16	16	16	16	16	16	17	17	17	17
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Number of Vehicles.....	6	6	6	6	6	6	6	6	6	6
Education										
Number of elementary schools.....	2	2	2	2	2	2	2	2	2	2
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	78	80	80	80	80	80	80	80	80	80
Fire hydrants.....	697	702	700	700	700	800	800	800	800	800
Sanitary sewers (miles).....	76	76	76	76	76	85	85	85	85	85
Number of wells.....	3	3	3	3	3	3	3	3	3	3
Number of water storage tanks.....	4	4	4	4	4	4	4	4	4	4
Human Services										
Senior Center.....	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Park and playground (acreage).....	70	70	70	70	70	70	70	70	70	70
Library.....	1	1	1	1	1	1	1	1	1	1

Source: Various Town Departments