

OFFICIAL STATEMENT DATED JULY 9, 2009

Ratings: See "Rating" herein.  
Standard & Poor's Ratings Group: AAA

New Issue

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and such interest is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

TOWN OF BEDFORD, MASSACHUSETTS  
\$15,885,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS

**DATED**  
July 15, 2009

**DUE**  
September 15  
(as shown below)

The Bonds are issuable only as fully registered Bonds, registered in the name of Cede & Co., as Bondowner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. See ("THE BONDS - Book-Entry Transfer System" herein.)

Principal of the Bonds will be paid on September 15 of the years in which the bonds mature. Interest on the Bonds will be payable March 15 and September 15, commencing March 15, 2010. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the Town of Bedford, Massachusetts and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to the principal and interest payments on the portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the portion of the Bonds that the Town has not voted to exempt from that limit.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS

Due September 15	Principal Amount	Rate	Yield	Cusip 076221	Due September 15	Principal Amount	Rate	Yield	Cusip 076221
2010	\$ 1,150,000	2.50 %	0.43 %	XR6	2019	\$ 870,000	5.00 %	3.09 %	YA2
2011	1,150,000	3.00	0.92	XS4	2020	870,000	4.00	3.28	YB0
2012	1,140,000	3.00	1.15	XT2	2021	870,000	4.00	3.46	YC8
2013	1,140,000	3.00	1.57	XU9	2022	870,000	4.00	3.59	YD6
2014	955,000	5.00	1.96	XV7	2023	870,000	4.00	3.69	YE4
2015	875,000	5.00	2.22	XW5	2024	870,000	4.00	3.78	YF1
2016	870,000	5.00	2.48	XX3	2025	865,000	4.00	3.86	YG9
2017	870,000	5.00	2.74	XY1	2026	780,000	4.00	3.94	YH7
2018	870,000	5.00	2.92	XZ8					

(plus accrued interest to be added)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company has acted as Financial Advisor to the Town of Bedford, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about July 23, 2009, against payment to the Town in Federal Reserve funds.

MERRILL LYNCH

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Thursday, July 9, 2009, 11:00 a.m. (E.T).

Location of Sale: First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Bedford, Massachusetts.

Issue: \$15,885,000 General Obligation Municipal Purpose Loan of 2009 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Official Statement Dated: July 10, 2009.

Dated Date of the Bonds: July 15, 2009.

Principal Due: Serially on September 15, 2010 through September 15, 2026, as set forth herein.

Purpose and Authority: Bond proceeds will finance various municipal projects as authorized by the Town under provisions of Chapter 44, Section 7 of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds are subject to redemption prior to their stated maturity dates as described herein.

Security: The Bonds will be valid general obligations of the Town of Bedford, Massachusetts, and the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to the principal and interest payments on the portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the portion of the Bonds that the Town has not voted to exempt from that limit.

Credit Rating: Standard & Poor's Ratings Group has assigned a rating of AAA to the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$100,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".

Bank Qualification: The Bonds **WILL NOT BE** designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts

Legal Opinion: Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to the Depository Trust Company, or to its custodial agent, on or about July 23, 2009, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Mr. Victor Garofalo, Treasurer, Town of Bedford, Massachusetts Telephone (781) 275-2218 or Peter Frazier, Senior Vice President, First Southwest Company, Boston, Massachusetts Telephone (617) 619-4409.

**NOTICE OF SALE**

**TOWN OF BEDFORD, MASSACHUSETTS**

**\$15,885,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS**

The Town of Bedford, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Thursday, July 9, 2009, for the purchase of the following described General Obligation Municipal Purpose Loan of 2009 Bonds of the Town (the "Bonds"):

\$15,885,000 General Obligation Municipal Purpose Loan of 2009 Bonds payable September 15 of the years and in the amounts as follows:

<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>September 15</u>	<u>Principal</u> <u>Amount</u>
2010	\$ 1,150,000	2019	\$ 870,000
2011	1,150,000	2020	* 870,000
2012	1,140,000	2021	* 870,000
2013	1,140,000	2022	* 870,000
2014	955,000	2023	* 870,000
2015	875,000	2024	* 870,000
2016	870,000	2025	* 865,000
2017	870,000	2026	* 780,000
2018	870,000		

\* Callable maturities. May be combined into one or two Term Bonds, as provided herein.

The Bonds will be dated July 15, 2009. Principal of the Bonds will be payable on September 15 of the years in which the Bonds mature. Interest will be payable on March 15, 2010 and semi-annually thereafter on March 15 and September 15.

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity will be issued to the Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The Bonds maturing in the years 2010 through 2019 will not be subject to redemption prior to maturity. The Bonds maturing on and after September 15, 2020 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 15, 2019, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the bonds to be redeemed, plus accrued interest to the date set for redemption.

For Bonds maturing on September 15, 2020, and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemptions prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on September 15 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. No bid of less than par and accrued interest to date of delivery, **plus a premium of at least \$100,000 will be considered**. The bid should reflect the premium required plus accrued interest.

As between proposals, which comply with this Notice, the award will be to the bidder offering to purchase all of the Bonds at the lowest net effective interest cost to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of July 15, 2009, discounts semi-annually all future payments of principal as set forth above and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot from among all such proposals.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Victor Garofalo, Treasurer, Town of Bedford, Massachusetts c/o First Southwest Company, 54 Canal Street, 3<sup>rd</sup> Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and Board of Selectmen.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Bedford has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard and Poor's Ratings Group for a rating on the Bonds. Any such fee paid to Standard and Poor's Ratings Group would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that he/she shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated June 29, 2009, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the

statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will not be designated as “qualified tax-exempt obligations” for the purpose of Section 265(b)(3) of the Code. Accordingly, no deduction will be allowed to a financial institution for any of its interest expense allocable to the Bonds.

Additional information concerning the Town of Bedford and the Bonds is contained in the Preliminary Official Statement dated June 29, 2009, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4409). Within seven (7) business days following the award of the Bonds in accordance herewith, 50 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of July 9, 2009 (the “Sale Date”), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the “issue price” of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on said Bonds shall be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau of other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to the Depository Trust Company or its custodial agent on or about July 23, 2009 for settlement in Federal Reserve Funds.

June 29, 2009

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TOWN OF BEDFORD, MASSACHUSETTS  
/s/ Mr. Victor Garofalo  
Town Treasurer

## OFFICIAL STATEMENT

### TOWN OF BEDFORD, MASSACHUSETTS

#### **\$15,885,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2009 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Bedford, Massachusetts (the "Town") in connection with the sale of \$15,885,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2009 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

### THE BONDS

#### **Description of the Bonds**

The Bonds will be dated July 15, 2009 and will bear interest payable semiannually on March 15 and September 15, commencing March 15, 2010. The Bonds shall mature on September 15 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only as fully registered Bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

#### **Redemption Provisions**

The Bonds are subject to redemption as described below.

##### **Optional Redemption**

The Bonds maturing in the years 2010 through 2019 will not be subject to redemption prior to maturity. The Bonds maturing on and after September 15, 2020 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 15, 2019, either in whole or in part at any time and if in part, by lot within a maturity, at the par amount of the bonds to be redeemed, plus accrued interest to the date set for redemption.

##### **Mandatory Redemption**

Term Bonds, if any, shall be subject to mandatory redemption commencing on September 15 of the first year which has been combined to form such Term Bonds and continuing on September 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated June 29, 2009 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Term Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

## **Notice of Redemption**

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

## **Record Date**

The record date for each payment of interest is last business day of the month preceding the interest payment date, provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

## **Book-Entry Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities deposited with DTC at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

## Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, statutory authorizations and dates of Town approval for the current offering of Bonds:

Purpose	This Issue	Total Authorization	Bond Anticipation Notes Outstanding	Statutory Reference	Date Authorized
Fire Rescue Pumper	\$ 410,000 (1)	\$ 410,000	\$ 410,000	C. 44 s. 7(9)	April 4, 2006
Road Resurfacing	750,000 (1)	3,250,000	1,450,000	C. 44 s. 7(6)	March 26, 2007
High School Construction	14,725,000 (2)	48,135,330	36,725,000	C. 44 s. 7	March 27, 2006
<b>Total :</b>	<b>\$ 15,885,000</b>		<b>\$ 38,585,000</b>		

(1) This issue will permanently finance a like amount of Notes maturing July 24, 2009.

(2) This issue will permanently finance \$14,725,000 of \$36,725,000 Notes maturing July 24, 2009 and the Town will retire \$8,565,000 of such notes with an \$8 million grant payment from the Massachusetts School Building Authority and \$565,000 revenue funds and will issue \$13,435,000 notes to refund the balance of such notes. The Town voted to exempt debt service on the High School project from the limitations of Proposition 2 ½. The first payment of \$10,000,000 was made by the Authority on July 24, 2008 and was used to retire a like amount of bond anticipation notes. The total amount of grants for this project has not yet been determined.

## Principal Maturities by Purpose

Calendar Year	High School (1)	Road Resurfacing	Fire Pumper	Total
2010	\$ 875,000	\$ 190,000	\$ 85,000	\$ 1,150,000
2011	875,000	190,000	85,000	1,150,000
2012	875,000	185,000	80,000	1,140,000
2013	875,000	185,000	80,000	1,140,000
2014	875,000		80,000	955,000
2015	875,000			875,000
2016	870,000			870,000
2017	870,000			870,000
2018	870,000			870,000
2019	870,000			870,000
2020	870,000			870,000
2021	870,000			870,000
2022	870,000			870,000
2023	870,000			870,000
2024	870,000			870,000
2025	865,000			865,000
2026	780,000			780,000
<b>Total</b>	<b>\$ 14,725,000</b>	<b>\$ 750,000</b>	<b>\$ 410,000</b>	<b>\$ 15,885,000</b>

(1) Debt service is exempt from the limits of Proposition 2 ½.

## Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and that such interest is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences or as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Bank Eligibility**

The Bonds will not be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code. Accordingly, no deduction will be allowed to a financial institution for any of its interest expense allocable to the Bonds.

## **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12 (b) (5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.**

## **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, of Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

## **Rating**

Application has been made to Standard & Poor's Ratings Group for a rating on the Bonds. Such rating, if obtained, will be printed on the cover of the Final Official Statement. It will reflect only the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisory Services of First Southwest Company**

First Southwest Company serves as financial advisor to the Town of Bedford, Massachusetts. The Town has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

## **Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "Serial Bonds and Notes" under "INDEBTEDNESS - Types of Obligations") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "Serial Bonds and Notes" under "INDEBTEDNESS – Types of Obligations" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

Use of State Distributions to Pay Debt Service. If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it shall notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraphs). See "State Distributions" above. If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws.

## TOWN OF BEDFORD, MASSACHUSETTS

### General

The Town of Bedford is located in Middlesex County approximately 15 miles northwest of Boston. It is bordered by the towns of Lincoln and Concord on the southwest, Lexington on the southeast, Burlington on the east, Billerica on the north and Carlisle on the northeast. Incorporated as a Town in 1729, Bedford has a population of approximately 12,595 (2000 Federal census) and occupies a land area of 14 square miles.

Since the construction of a railroad connection to Boston in the 1850's, Bedford has evolved from an agricultural community to a bedroom suburb of Boston. Construction of state highways and expressways has reinforced Bedford's role as a desirable residential suburb.

Bedford has outstanding access to the regional expressway system. Route 128, the circumferential highway around Boston known as the "high tech region," passes on the southeast border of Bedford, State Route 2 passes on the southwest border of the Town and State Route 3 passes on the east border of the Town.

### Governing Bodies and Officers

Local legislative decisions are made by an open town meeting. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a Town Manager with the approval of a board of five selectmen who are elected on an at-large basis for staggered three-year terms.

#### PRINCIPAL TOWN OFFICIALS

The following is a list of the principal executive officers:

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Selectman, Chairperson	Mark Siegenthaler	Elected/3 Years	2011
Selectman	Catherine B. Cordes	Elected/3 Years	2010
Selectman	Walter J. St. Onge III	Elected/3 Years	2012
Selectman	Michael A. Rosenberg	Elected/3 Years	2011
Selectman	Angelo Colao	Elected/3 Years	2010
Town Manager	Richard T. Reed	Appointed	Indefinite
Finance Director	Peter P. Naum	Appointed	Indefinite
Town Accountant	Debra A. McGrane	Appointed	Indefinite
Treasurer/Collector	Victor Garofalo	Appointed	Indefinite
Town Clerk	Doreen Tremblay	Appointed	Indefinite
Town Counsel	Michael C. Lehane	Appointed	2010

### Municipal Services

The Town provides general governmental services for the territory within its boundaries including police and fire protection, public education in pre-kindergarten through grade twelve, collection and disposal of solid waste, a library, streets, parks and recreation, water supply and distribution, and sewage collection and disposal. The Shawsheen Regional Vocational Technical School District provides vocational technical education in grades 9 through 12.

## Education

School affairs are administered by a superintendent with policy guidance from an elected school committee of five persons.

The following table sets forth the trend in public school enrollments for the Town for the school years indicated.

### PUBLIC SCHOOL ENROLLMENTS OCTOBER 1,

	Actual					Projected
	2004	2005	2006	2007	2008	2009
Kindergarten	175	162	150	150	145	156
Grades 1-4	690	685	697	697	711	706
Grades 5-6	329	352	362	362	377	378
Grades 7-8	340	311	325	325	377	380
High School (9 - 12) (1)	726	761	756	756	783	763
Totals	<u>2,260</u>	<u>2,271</u>	<u>2,290</u>	<u>2,290</u>	<u>2,393</u>	<u>2,383</u>

(1) Approximately 150 High School Students are children of Hanscom Air Force base personnel.

## Industry and Commerce

Bedford is primarily a residential suburban community, with a diversified manufacturing base located within the Boston Standard Metropolitan Statistical Area.

### EMPLOYMENT AND PAYROLLS

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2007	2006	2005	2004	2003
Construction	368	351	349	458	518
Manufacturing	2,296	2,253	2,946	1,331	1765
Trade, Transportation & Utilities	1,710	1,790	1,936	2,293	2250
Information	1,712	1,899	1,858	1,257	1459
Financial Activities	684	633	595	733	818
Professional and Business Services	5,569	5,542	5,196	7,727	7247
Education and Health Services	3,078	2,979	2,951	3,505	3486
Leisure and Hospitality	858	839	743	1,290	1212
Other Services	246	217	1,873	578	553
Total Employment	<u>16,521</u>	<u>16,503</u>	<u>18,447</u>	<u>19,172</u>	<u>19,308</u>
Number of Establishments	<u>627</u>	<u>621</u>	<u>624</u>	<u>1,302</u>	<u>1,277</u>
Average Weekly Wages	<u>\$ 1,693</u>	<u>\$ 1,620</u>	<u>\$ 1,490</u>	<u>\$ 1,283</u>	<u>\$ 1,266</u>
Total Wages	<u>\$ 1,596,883,592</u>	<u>\$ 1,525,824,760</u>	<u>\$ 1,428,805,413</u>	<u>\$ 1,309,311,650</u>	<u>\$ 1,295,987,625</u>

## Largest Employers

<u>Name</u>	<u>Product/Function</u>	<u>Approximate No. of Employees</u>
Hanscom Field (USAF)	Research and Development	5,500
MITRE Corporation	Engineering, Architecture, Surveying	1,829
Veterans Medical Center	Federal Government Hospital	950
Middlesex Community College	Community College	927
Progress Software	Computer Software Development	700
iRobot	High-Tech Manufacturing	500
RSA Security	Data Security	500
Millipore	Fluid purification and analysis	465
Intel	Computer Software	400
Hologic	Manufacture of Medical Devices	400

## Unemployment Rates

According to the Massachusetts Division of Employment and Training, in February 2009, the Town has a total labor force of 6,861, of which 6,427 were employed and 434, or 6.3%, were unemployed, as compared with 8.3% for the Commonwealth (unadjusted). The following table sets for the labor force and unemployment rates for the Town of Bedford as well as the unemployment rates for the Commonwealth and the United States for the years indicated.

<u>Year</u>	<u>Town of Bedford</u>		<u>Massachusetts</u>	<u>United States</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2008	6,853	4.0 %	5.3 %	5.8 %
2007	6,776	3.2	4.5	4.6
2006	6,612	4.0	4.9	4.6
2005	6,498	3.7	4.8	5.1
2004	6,549	4.1	5.1	5.5

SOURCE: Mass. Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence not place of employment.

## Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the calendar years indicated. Permits are filed for both private construction and Town projects.

<u>Year</u>	<u>Number</u>	<u>Estimated Value</u>
2008	567	\$63,858,830
2007	596	121,286,389 (1)
2006	569	65,188,499
2005	594	97,806,971
2004	553	43,515,125

SOURCE: Report of the Building Inspector.

(1) Significant increase due to four large commercial projects and one large residential project which have a combined total estimated value of approximately \$53.4 million.

## Development

There have been extensive proposals for new development in Bedford over the last year. These include a range of mixed use and commercial developments.

On the mixed-use side; the Planning Board approved a special permit at 54 Middlesex Turnpike to construct a mixed use project within an existing office building for a restaurant that will be no more than 4,600 square feet. The Board also reviewed three other mix-use proposals for other sites that may require amendments to special permits; however these sites are still going through the process.

On the Commercial side; the Planning Board gave recommendation to the Building Inspector for site plan approval to redevelop six sites; 1) along Wiggins Avenue, used for office space, a building with 26,174 square feet received approval to improve pedestrian & vehicle circulation, drainage, parking, landscaping and provide an area to dispose waste for this location plus three surrounding sites that were previously redeveloped; 2) a residential lot located at 97 Springs Road received approval under the Dover Amendment to use the lot as a religious/cultural center; 3) 155 Middlesex Turnpike was granted approval to build a 3,480 sq.ft. building to be use for recreational purposes; 4) a temporary driveway/access, along with associated site improvements for 39 Crosby Drive was given a positive recommendation; 5) the demolition of an existing building at 181 Great Road and the creation of a new 3,000 square foot bank received approval; and lastly 6) an existing office building (79,000 sq. ft.) located at 135 South Road received approval to build an addition (39,000 sq. ft.) over one level of structured parking along with other associated site improvements.

## Population and Income

The following table compares the median age, median family income and per capita income for Bedford, the Commonwealth, and the United States as a whole.

POPULATION AND INCOME (1)			
	Bedford	Massachusetts	United States
<b>Median Age:</b>			
2000	42.1	36.5	35.3
1990	36.9	33.6	32.9
<b>Median Family Income:</b>			
2000	\$101,081	\$61,664	\$50,046
1990	64,537	44,367	35,225
<b>Per Capita Income:</b>			
2000	\$39,212	\$25,952	\$21,587
1990	24,590	17,224	14,420

(1) Federal Census Bureau.

POPULATION TRENDS			
2000	1990	1980	1970
12,595	12,996	13,067	13,513

SOURCE: Federal Census.

## PROPERTY TAXATION

### Tax Levy Computation

The principal general fund revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (See "Taxation to Meet Deficits" below).

The following table illustrates the trend in the manner in which the tax levy was determined for the fiscal years indicated.

### TAX LEVY COMPUTATION

	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
Gross Amount to be Raised					
Appropriations (1)	\$71,740,978	\$68,959,593	\$65,281,589	\$62,213,715	\$56,454,354
Other Local Expenditures	1,153,385	504,106	426,138	917,945	509,378
State and County Charges	286,472	263,286	261,553	265,988	292,849
Overlay Reserve	900,351	1,062,646	921,765	909,148	796,670
Total Gross Amount to be Raised	<u>74,081,186</u>	<u>70,789,631</u>	<u>66,891,045</u>	<u>64,306,796</u>	<u>58,053,251</u>
Less Estimated Receipts & Other Revenue					
Estimated Receipts from State (2)	7,186,697	6,747,258	6,329,108	5,648,073	4,494,620
Estimated Receipts-Local (3)	12,573,525	13,319,713	11,928,308	12,050,813	8,888,877
Available Funds Appropriated:					
Free Cash	-	263,800	300,000	-	933,078
Other Available Funds (4)	5,702,110	4,312,026	5,495,360	6,258,590	4,489,518
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>2,600,000</u>	<u>3,491,000</u>	<u>2,422,959</u>	<u>1,450,000</u>	<u>2,351,000</u>
Total Estimated Receipts & Revenues	<u>28,062,332</u>	<u>28,133,797</u>	<u>26,475,735</u>	<u>25,407,476</u>	<u>21,157,093</u>
Net Amount to be Raised (Tax Levy)	<u>\$46,018,854</u>	<u>\$42,655,834</u>	<u>\$40,415,310</u>	<u>\$38,899,320</u>	<u>\$36,896,158</u>
Property Valuation	\$ 2,830,696,757	\$ 2,893,298,665	\$ 2,799,213,600	\$ 2,660,171,670	\$ 2,540,090,000
Tax Rate per \$1,000 (Residential)	\$ 12.43	\$ 11.38	\$ 11.29	\$ 11.47	\$ 11.18
Tax Rate per \$1,000 (C/I/P)	\$ 28.45	\$ 25.80	\$ 25.27	\$ 25.59	\$ 25.42
Tax Rate per \$1,000 (Open Space)	\$ 9.32	\$ 8.54	\$ 8.47	\$ 8.60	\$ 8.39

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.

(2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. There have been reductions in state local aid in fiscal 2009 from the amounts originally expected and the Commonwealth's recently enacted fiscal year 2010 budget provides for further reductions in local aid in fiscal 2010. Bedford estimates that it received approximately \$139,219 less in fiscal 2009 than when it set its tax rate and levy as shown above. The Town has developed plans to absorb these cuts during the 2009.

(3) Includes Community Preservation Act revenues.

(4) Transfers from other available funds, including "free cash", generally made as an offset to a particular appropriation item.

## Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 per cent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. Under legislation recently enacted, for fiscal years 2008 and thereafter, the share of the annual levy to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 per cent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five per cent of fair cash value but not less than ten dollars per acre.

An in-house update of valuations is conducted annually.

The following table sets forth the trend in the Town's assessed valuations, tax levies, and tax levies per capita.

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Personal Property Valuation</u>	<u>Total Assessed Valuation</u>	<u>Tax Levy</u>	<u>Tax Levy Per Capita(1)</u>
2009	\$2,758,181,457	\$72,515,300	\$2,830,696,757	\$46,018,853	\$3,654
2008	2,834,062,565	59,236,100	2,893,298,665	42,655,834	3,387
2007	2,733,284,500	65,929,100	2,799,213,600	40,415,310	3,209
2006	2,595,762,000	64,409,670	2,660,171,670	38,899,320	3,088
2005	2,478,587,300	61,502,700	2,540,090,000	36,896,158	2,929

(1) Based on 2000 federal census number of 12,595.

## Classification of Property

The following is a breakdown of the Town's assessed valuations in fiscal years 2009, 2008 and 2007.

Property Type	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$2,148,598,800	75.9 %	\$2,212,195,000	76.5 %	\$2,162,403,691	77.3 %
Open Space	4,909,400	0.2	5,296,600	0.2	5,381,800	0.2
Commercial	384,622,657	13.6	395,663,665	13.7	354,199,909	12.7
Industrial	220,050,600	7.8	220,907,300	7.6	211,299,100	7.5
Personal	72,515,300	2.6	59,236,100	2.0	65,929,100	2.4
<b>Total</b>	<b>\$2,830,696,757</b>	<b>100.0 %</b>	<b>\$2,893,298,665</b>	<b>100.0 %</b>	<b>\$2,799,213,600</b>	<b>100.0 %</b>

## LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal 2009. All of the properties listed are current in their tax payments.

Name	Nature of Business	Assessed Valuation
Mariner Bedford Woods Inc	Offices	\$ 60,424,500
Bedford Business PK LTD Prtn	Offices	31,059,200
MSCP Crosby LLC -Technoford	Offices	30,070,600
RAR Crosby Corporate CRT QRS	Offices	30,000,000
Bone (DE) QRS 15-12 Inc.	Offices	27,075,000
Millipore Filter Corp	Research & Development	20,344,500
Progress Software Corp	Research & Development	20,096,600
Great Road Shopping Center	Retail	18,855,700
AEW Bedford LLC	Offices	17,488,600
RFPS 160 Owner, LLC	Offices	15,175,200
<b>Totals</b>		<b>\$ 270,589,900</b>

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the Town of Bedford.

January 1,	State Equalized Valuation	% Change
2008	\$ 3,141,130,500	6.59 %
2006	2,946,953,200	11.94
2004	2,632,511,200	15.93
2002	2,270,729,600	26.53
2000	1,794,674,400	27.08
1998	1,412,198,800	9.21

## Overlay

The Town is authorized to reserve an amount approved by the Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant "overlay deficit" is required to be added to the next tax levy. An abatement granted after a tax payment has been made is accounted for as a refund on the books of the Town. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve for the last five fiscal years and actual abatements and refunds granted against each levy.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through May 31, 2009
		Dollar Amount	As a % of Net Levy	
2009	\$45,118,503	\$900,351	2.0 %	\$612,847
2008	41,587,410	1,062,647	2.6	696,228
2007	39,493,547	921,765	2.3	628,157
2006	37,990,172	909,148	2.4	417,240
2005	36,099,488	796,670	2.2	413,473

(1) Gross tax levy minus overlay reserve for abatements.

## Tax Collections

Beginning in fiscal 1991, the Town instituted property tax billing on a quarterly basis with tax bills payable August 1, November 1, February 1 and May 1 of each fiscal year. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the last five fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	Collections During Fiscal Year Payable (2)		Collections as of May 31, 2009	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2009	\$ 46,018,854	\$ 900,351	\$ 45,118,503	\$ 44,667,432	99.0 %	\$ 44,667,432	99.0 %
2008	42,655,834	1,062,647	41,593,187	41,877,137	100.7	41,751,700	100.4
2007	40,415,312	921,765	39,493,547	39,809,438	100.8	39,927,467	101.1
2006	38,899,320	909,148	37,990,172	38,068,727	100.2	38,526,253	101.4
2005	36,896,158	796,670	36,099,488	36,462,845	101.0	36,556,063	101.3

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.

## Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The following table sets forth the amount of tax titles and possessions outstanding at the end of the fiscal years indicated.

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>
2009	\$310,329
2008	402,805
2007	359,952
2006	331,338
2005	388,576

## Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk. The Town does not expect to utilize this option at the present time.

## Taxation to Meet Deficits

As noted elsewhere (see "Overlay," above) overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Tax Limitations

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2 1/2", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town. The law is subject to amendment or repeal by the legislature.

The primary limitation is that the tax levy cannot exceed 2 1/2 per cent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 per cent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 per cent by majority vote of the voters, or to less than 7 1/2 per cent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a 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 per cent, subject to exception for property added to the tax rolls or property which has had an increase other than as part of a general revaluation, in its assessed valuation over the prior year's valuation. This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of the city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 ½ limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 ½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2 1/2 limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2 ½ per cent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option." Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two member districts, or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2 ½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town has been in full compliance with Proposition 2 ½ since its inception. Under the law as now written, the current and future levies may increase by up to 2 ½% of the maximum levy limit for the previous fiscal year, plus by any amounts voted for override and debt exclusion, or "new" valuations or "real" valuation increases.

The table below lists debt exclusions passed by the Town.

Project	Vote Dates	Amount Authorized
High School	April 8, 2006	\$ 50,920,330
DPW	March 9, 2002	8,035,000
Middle School	October 21, 2000	17,120,000
Police	May 4, 1995	4,340,000
Fire	May 4, 1995	3,973,000
Library	May 4, 1995	3,973,000
Lane School Addition	May 4, 1994	804,000

The table below presents the Town's primary levy limits, its maximum levy limits, and its actual tax levies for fiscal years 2005 through 2009.

Fiscal Year	Estimated Full Valuation(1)	Primary Levy Limit	Maximum Levy Limit	Actual Tax Levy(2)	Under(Over) Primary Levy Limit	Under(Over) Maximum Levy Limit
2009	\$2,830,696,757	\$70,767,419	\$47,211,013	\$46,018,853	\$24,748,566	\$1,192,160
2008	2,893,298,665	72,332,467	44,085,727	42,655,834	29,676,633	1,429,893
2007	2,799,213,600	69,980,340	41,641,585	40,415,310	29,565,030	1,226,275
2006	2,660,171,670	66,504,292	40,056,708	38,899,320	27,604,972	1,157,388
2005	2,540,090,000	63,502,250	37,990,862	36,896,158	26,606,092	1,094,704

(1) Local assessed valuation.

(2) Exclusive of the surcharge property tax levied under the Community Preservation Act which is not included in the total taxes assessed for purposes of calculating and determining compliance with the levy limits.

### Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAX" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has accepted the Act and set the rate at 3%. The Town implemented the program in fiscal 2002 and will utilize revenues to pay for a variety of municipal projects eligible for financing under the CPA.

#### **Community Preservation Fund Revenues**

	<u>Property Tax</u>	<u>State Contribution</u>	<u>Total</u>
2009	\$ 1,115,488	\$ -	\$ 1,115,488
2008	1,073,977	786,328	1,860,305
2007	1,005,763	1,010,047	2,015,810
2006	958,407	965,106	1,923,513
2005	915,465	918,041	1,833,506

#### **Pledged Taxes**

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below).

#### **Initiative Petitions**

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted, such amendments must be approved by two successive legislatures and then by the voters at a state election.

## TOWN FINANCES

### Budget and Appropriation Process

Town Meeting: The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April or May. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee is required to submit a budget of proposed expenditures at the annual town meeting. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State Aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since fiscal 1994, the Town's net school spending has met or exceeded the minimum required local contribution.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "Property Taxation" above.)

### Budget Trends

The following table sets forth the trend in operating budgets as voted at annual town meeting. As such, said budgets do not reflect revenues, mandatory items and expenditures authorized for non-recurring (generally capital) purposes under "special" warrant articles or transfers occurring subsequent to the annual town meeting.

#### BUDGET COMPARISON

	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
General Government	\$11,972,273	\$11,719,130	\$10,807,061	\$9,917,757	\$8,556,769
Public Safety	5,253,065	5,028,807	4,860,974	4,641,519	4,802,025
Public Works/Highway	9,277,906	9,139,651	8,813,373	8,535,510	7,812,008
Facilities	738,352	757,256	736,244	700,991	651,667
Health	495,600	485,908	463,251	452,865	484,694
Human Services	685,794	549,280	532,929	524,385	505,425
School	31,657,728	30,043,775	28,789,210	27,038,731	25,753,879
Library	1,106,259	1,080,504	1,043,770	1,038,686	986,091
Other	125,538	146,066	135,020	142,686	124,304
Maturing Debt and Interest	7,264,661	8,668,817	7,653,793	7,189,653	6,589,611
Total	<u>\$68,577,176</u>	<u>\$67,619,194</u>	<u>\$63,835,625</u>	<u>\$60,182,783</u>	<u>\$56,266,473</u>

## Revenues

**Property Taxes:** Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION-Tax Limitations" above.

### Federal Aid:

The following is a list of federal monies received by the Town in each of the most recent fiscal years and an estimate for the current fiscal year:

<u>Fiscal Year</u>	<u>Total Federal Aid</u>
2009 (est.)	\$ 309,000
2008	283,517
2007	291,902
2006	323,000
2005	348,000

### State Aid:

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "school" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to enactment by the legislature, and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule. The Town did not defer any compensation under this legislature.

The following table sets forth the amount of State Aid to the Town in recent years with an estimate for fiscal year 2009 and a projected amount for fiscal year 2010.

<u>Fiscal Year</u>	<u>Total State Aid (1)</u>
2010 (2)	\$ 4,713,394
2009 (3)	5,390,862
2008	4,949,417
2007	4,486,274
2006	4,147,000
2005	4,494,620

(1) Includes estimated school building assistance.

(2) Estimate.

(3) There have been reductions in state local aid in fiscal 2009 from the amounts originally expected and the Commonwealth's recently enacted fiscal 2010 budget provides for further reductions in local aid in fiscal 2010. Bedford estimates it received approximately \$139,219 less in fiscal 2009 than when it set its tax rate. The Town plans to absorb these cuts during the 2009 fiscal year.

## **State School Building Assistance Program**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality. In most cases, the receipt of these progress payments from the Authority eliminates the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs.

The Authority began accepting grant applications for new projects after July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority has promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## **Motor Vehicle Excise:**

An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also after a hearing suspend the owner's operating license. The amount of excise taxes received by the Town in fiscal year 2008 was \$1,593,000. The Town estimates it received approximately \$1,400,000 motor vehicle excise taxes in fiscal year 2009.

## Room Occupancy Tax:

In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities (G.L. Chapter 64G, s. 3A), effective July 1, 1986. Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed four percent (4%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town has levied the full 4% as permitted under the law since the inception of the tax.

The following table sets forth the trend in room occupancy tax receipts.

<u>Fiscal Year</u>	<u>Room Occupancy</u>
2009 (Est.)	\$ 340,000
2008	339,714
2007	194,634 (1)
2006	348,691
2005	301,000

(1) Hotel/motel stays decreased in fiscal year 2007.

## Investment of Town Funds

All funds of the Town, except for trust funds and funds of the Town's retirement system are invested in accordance with Section 55 of Chapter 44, of the Massachusetts General Laws (MGL). This statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in share in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

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

Trust funds, unless otherwise provided by the donor, are invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. Breakdown of such investments may be obtained from the Town Treasurer. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

## Annual Audits

The Town's accounts were most recently independently audited for the fiscal year ended June 30, 2008 by Powers & Sullivan, PC, Certified Public Accounts, of Wakefield, Massachusetts. The audit for fiscal year ended June 30, 2008 is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

## Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2008, June 30, 2007, June 30, 2006 and June 30, 2005, and a Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds for the fiscal years ended June 30, 2004 through June 30, 2008. Said financial statements were extracted from annual audits and then combined for purposes of this presentation. All such statements are presented in accordance with the fund method of accounting described in Appendix A.

**TOWN OF BEDFORD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2008 (1)**

<b>ASSETS</b>	<u>General</u>	<u>High School</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 14,985,365	\$ 2,985,070	\$ 15,653,783	\$ 33,624,218
Investments	239,957	-	7,057,126	7,297,083
Receivables, net of uncollectibles:				
Real estate and personal property taxes	408,206	-	-	408,206
Tax liens	421,680	-	-	421,680
Motor vehicle excise taxes	131,482	-	-	131,482
User fees	880,503	-	954,946	1,835,449
Departmental and other	102,188	-	82,635	184,823
Intergovernmental	17,491,851	10,000,000	2,128,720	29,620,571
Tax foreclosures	53,769	-	-	53,769
<b>TOTAL ASSETS</b>	<b><u>\$ 34,715,001</u></b>	<b><u>\$ 12,985,070</u></b>	<b><u>\$ 25,877,210</u></b>	<b><u>\$ 73,577,281</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 361,418	\$ 1,039,202	\$ 325,272	\$ 1,725,892
Accrued payroll	1,298,405	-	-	1,298,405
Health claims payable	69,000	-	-	69,000
Tax refunds payable	1,579,980	-	-	1,579,980
Accrued interest on short-term debt	397,000	-	-	397,000
Liabilities due depositors	659,443	-	-	659,443
Other liabilities	1,048,507	-	-	1,048,507
Deferred revenues	19,182,954	-	2,898,579	22,081,533
Notes payable	-	10,000,000	-	10,000,000
<b>TOTAL LIABILITIES</b>	<b><u>24,596,707</u></b>	<b><u>11,039,202</u></b>	<b><u>3,223,851</u></b>	<b><u>38,859,760</u></b>
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	1,969,641	-	-	1,969,641
Perpetual permanent funds	-	-	458,578	458,578
Unreserved:				
Designated for subsequent year's expenditures	2,600,000	-	-	2,600,000
Undesignated, reported in:				
General fund	5,548,653	-	-	5,548,653
Special revenue funds	-	-	21,066,563	21,066,563
Capital projects funds	-	1,945,868	736,235	2,682,103
Permanent funds	-	-	391,983	391,983
<b>TOTAL FUND BALANCES</b>	<b><u>10,118,294</u></b>	<b><u>1,945,868</u></b>	<b><u>22,653,359</u></b>	<b><u>34,717,521</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 34,715,001</u></b>	<b><u>\$ 12,985,070</u></b>	<b><u>\$ 25,877,210</u></b>	<b><u>\$ 73,577,281</u></b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BEDFORD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2007 (1)**

	<u>General</u>	<u>High School</u>	<u>Glenn Middle School</u>	<u>Town Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,783,712	\$ -	\$ 26,497	\$ 1,174,165	\$ 14,242,937	\$ 29,227,311
Investments	2,209,541	-	-	-	5,662,272	7,871,813
Receivables, net of uncollectibles:						
Real estate and personal property taxes	309,386	-	-	-	-	309,386
Tax liens	342,238	-	-	-	-	342,238
Motor vehicle excise taxes	193,906	-	-	-	-	193,906
User fees	839,221	-	-	-	886,101	1,725,322
Departmental and other	93,306	-	-	-	71,321	164,627
Intergovernmental	18,495,581	-	-	-	2,126,677	20,622,258
Tax foreclosures	59,238	-	-	-	-	59,238
Due from other funds	-	-	-	297,002	-	297,002
<b>TOTAL ASSETS</b>	<b><u>\$ 36,326,129</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,497</u></b>	<b><u>\$ 1,471,167</u></b>	<b><u>\$ 22,989,308</u></b>	<b><u>\$ 60,813,101</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 769,540	\$ 2,246,451	\$ -	\$ 38,863	\$ 281,287	\$ 3,336,141
Accrued payroll	1,135,998	-	-	-	-	1,135,998
Health claims payable	64,000	-	-	-	-	64,000
Tax refunds payable	1,609,000	-	-	-	-	1,609,000
Accrued interest on short-term debt	832,000	-	-	-	-	832,000
Liabilities due depositors	632,691	-	-	-	-	632,691
Other liabilities	962,102	-	-	-	-	962,102
Deferred revenues	20,163,725	-	-	-	2,860,367	23,024,092
Due to other funds	-	297,002	-	-	-	297,002
Notes payable	-	20,000,000	-	-	-	20,000,000
<b>TOTAL LIABILITIES</b>	<b><u>26,169,056</u></b>	<b><u>22,543,453</u></b>	<b><u>-</u></b>	<b><u>38,863</u></b>	<b><u>3,141,654</u></b>	<b><u>51,893,026</u></b>
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	2,894,274	-	-	-	-	2,894,274
Perpetual permanent funds	-	-	-	-	442,235	442,235
Unreserved:						
Designated for subsequent year's expenditures	3,491,000	-	-	-	-	3,491,000
Undesignated, reported in:						
General fund	3,771,799	-	-	-	-	3,771,799
Special revenue funds	-	-	-	-	19,079,172	19,079,172
Capital projects funds	-	(22,543,453)	26,497	1,432,304	-	(21,084,652)
Permanent funds	-	-	-	-	326,247	326,247
<b>TOTAL FUND BALANCES</b>	<b><u>10,157,073</u></b>	<b><u>(22,543,453)</u></b>	<b><u>26,497</u></b>	<b><u>1,432,304</u></b>	<b><u>19,847,654</u></b>	<b><u>8,920,075</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 36,326,129</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,497</u></b>	<b><u>\$ 1,471,167</u></b>	<b><u>\$ 22,989,308</u></b>	<b><u>\$ 60,813,101</u></b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BEDFORD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2006 (1)**

	<u>General</u>	<u>Glen Middle School</u>	<u>Town Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
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
Investment in joint venture	-				-
<b>TOTAL ASSETS</b>	<b><u>\$ 37,109,784</u></b>	<b><u>\$ 5,925,771</u></b>	<b><u>\$ 1,948,601</u></b>	<b><u>\$ 22,632,490</u></b>	<b><u>\$ 67,616,646</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
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
<b>TOTAL LIABILITIES</b>	<b>26,760,051</b>	<b>11,600,849</b>	<b>8,036,494</b>	<b>2,495,999</b>	<b>48,893,393</b>
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	1,916,370				1,916,370
Perpetual permanent funds				433,499	433,499
Unreserved:					
Designated for investment joint venture	2,422,959				2,422,959
Designated for subsequent year's expenditures					-
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
<b>TOTAL FUND BALANCES</b>	<b><u>10,349,733</u></b>	<b><u>(5,675,078)</u></b>	<b><u>(6,087,893)</u></b>	<b><u>20,136,491</u></b>	<b><u>18,723,253</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 37,109,784</u></b>	<b><u>\$ 5,925,771</u></b>	<b><u>\$ 1,948,601</u></b>	<b><u>\$ 22,632,490</u></b>	<b><u>\$ 67,616,646</u></b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BEDFORD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2005 (1)**

	<u>General</u>	<u>Glen Middle School</u>	<u>Town Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,691,591	\$ 423,248	\$ 4,114,501	\$ 14,112,766	\$ 32,342,106
Investments	517,544			3,895,275	4,412,819
Receivables, net of uncollectibles:					
Real estate and personal property taxes	1,081,855				1,081,855
Tax liens	423,447				423,447
Motor vehicle excise taxes	103,539				103,539
User fees	706,135			953,673	1,659,808
Departmental and other	131,507			59,458	190,965
Intergovernmental	26,260,000			1,175,369	27,435,369
Tax foreclosures	53,769				53,769
Investment in joint venture	1,527,000				1,527,000
	<u>1,527,000</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,527,000</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 44,496,387</b></u>	<u><b>\$ 423,248</b></u>	<u><b>\$ 4,114,501</b></u>	<u><b>\$ 20,196,541</b></u>	<u><b>\$ 69,230,677</b></u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	\$ 1,479,675	\$ -	\$ 667,744	\$ 319,617	\$ 2,467,036
Health claims payable	59,000				59,000
Tax refunds payable	1,236,000				1,236,000
Accrued interest on short-term debt	332,700				332,700
Liabilities due depositors	1,087,868				1,087,868
Other liabilities	692,219				692,219
Deferred revenues	28,644,640			1,870,808	30,515,448
Notes payable		5,925,771	4,213,000	1,600,000	11,738,771
	<u>33,532,102</u>	<u>5,925,771</u>	<u>4,880,744</u>	<u>3,790,425</u>	<u>48,129,042</u>
<b>TOTAL LIABILITIES</b>	<b>33,532,102</b>	<b>5,925,771</b>	<b>4,880,744</b>	<b>3,790,425</b>	<b>48,129,042</b>
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	2,868,941				2,868,941
Perpetual permanent funds				410,760	410,760
Unreserved:					
Designated for investment joint venture	3,273,813				3,273,813
Designated for subsequent year's expenditures	1,450,000				1,450,000
Undesignated, reported in:					
General fund	3,371,531				3,371,531
Special revenue funds				15,685,838	15,685,838
Capital projects funds		(5,502,523)	(766,243)		(6,268,766)
Permanent funds				309,518	309,518
	<u>10,964,285</u>	<u>(5,502,523)</u>	<u>(766,243)</u>	<u>16,406,116</u>	<u>21,101,635</u>
<b>TOTAL FUND BALANCES</b>	<b>10,964,285</b>	<b>(5,502,523)</b>	<b>(766,243)</b>	<b>16,406,116</b>	<b>21,101,635</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 44,496,387</b></u>	<u><b>\$ 423,248</b></u>	<u><b>\$ 4,114,501</b></u>	<u><b>\$ 20,196,541</b></u>	<u><b>\$ 69,230,677</b></u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF BEDFORD, MASSACHUSETTS  
GOVERNMENTAL FUNDS (1)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>					
Real estate and personal property taxes, net of tax refunds	\$ 42,038,212	\$ 39,563,532	\$ 38,852,987	\$ 36,338,335	\$ 34,846,274
Motor vehicle and other excise taxes	2,304,203	2,221,374	2,033,162	2,087,997	1,841,960
Charges for services	2,821,798	2,212,303	2,250,192	1,755,299	1,348,371
Penalties and interest on taxes	111,553	114,944	149,003	202,590	86,601
Payments in lieu of taxes	1,279,990	1,221,245	1,158,303	1,120,149	1,086,718
Intergovernmental	11,466,310	10,878,265	9,643,490	8,914,322	7,894,873
Departmental and other	3,293,468	2,840,471	2,994,879	2,432,901	1,725,060
Investment Income	1,761,174	2,087,336	1,275,210	746,454	698,359
Total Revenues	<u>65,076,708</u>	<u>61,139,470</u>	<u>58,357,226</u>	<u>53,598,047</u>	<u>49,528,216</u>
<b>Expenditures:</b>					
Current:					
General government	3,302,843	3,269,092	2,754,163	2,754,384	2,615,300
Public safety	5,645,564	5,277,829	5,074,875	4,769,398	4,796,666
Education	28,756,349	27,350,348	25,794,009	24,857,689	23,492,519
Public works	5,197,396	4,572,773	4,756,489	4,575,131	4,927,386
Water	1,004,139	1,459,072	1,376,498	1,030,314	1,043,454
Sewer	662,627	605,818	487,537	457,225	363,749
MWRA assessment	2,662,238	2,565,613	2,379,363	2,357,318	2,290,688
Human services	939,060	908,320	874,599	826,154	821,679
Culture and recreation	1,212,450	1,173,132	1,127,128	1,098,065	1,071,043
Pension benefits	6,942,882	6,430,027	6,035,074	5,686,185	5,114,360
Employee benefits	5,749,526	5,348,121	4,903,974	4,662,763	3,354,934
Other	-	-	104,283	99,923	135,735
State and county charges	254,413	247,083	245,823	268,898	273,892
Debt service:					
Principal	4,336,741	4,067,911	3,840,911	3,831,051	3,944,051
Interest	2,565,962	3,065,540	2,362,202	2,473,221	2,074,512
Total Expenditures	<u>69,232,190</u>	<u>66,340,679</u>	<u>62,116,928</u>	<u>59,747,719</u>	<u>56,319,968</u>
Excess (Deficiency) of revenues over expenditures	(4,155,482)	(5,201,209)	(3,759,702)	(6,149,672)	(6,791,752)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	4,746,703	6,191,549	5,213,150	5,220,575	4,965,850
Operating transfers out	(630,000)	(1,183,000)	(2,068,000)	-	(121,081)
Total Other Financing Sources (Uses)	<u>4,116,703</u>	<u>5,008,549</u>	<u>3,145,150</u>	<u>5,220,575</u>	<u>4,844,769</u>
Net change in fund balances	(38,779)	(192,660)	(614,552)	(929,097)	(1,946,983)
Fund Balances, at Beginning of Year	<u>10,157,073</u>	<u>10,349,733</u>	<u>10,964,285</u>	<u>11,893,382</u>	<u>13,840,365</u>
Fund Balances, at End of Year	<u>\$ 10,118,294</u>	<u>\$ 10,157,073</u>	<u>\$ 10,349,733</u>	<u>\$ 10,964,285</u>	<u>\$ 11,893,382</u>

(1) Extracted from the Town's audited financial statements.

## Undesignated General Fund Balance and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is undesignated fund balance less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the trend in undesignated fund balance and certified free cash for the most recent fiscal years:

Fiscal Year	Undesignated General Fund Balance (June 30)(1)	Certified Free Cash (July 1)
2008	\$ 5,548,653	\$ 4,355,208
2007	3,771,799	2,974,723
2006	6,010,404	5,108,469
2005	3,371,531	4,222,959
2004	3,719,948	2,064,091

(1) Source: Audited financial Statements.

## Stabilization Fund

The Town has maintained a Stabilization Fund for several years. Stabilization funds are maintained in the Non-major Governmental Funds. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose by at a two thirds vote of the town meeting. The following lists the balances in the stabilization fund at the end of the fiscal years indicated.

As of June 30,	Stabilization Fund Balance
2009 (Est.)	\$ 3,040,000
2008	3,595,986
2007	3,063,418
2006	3,365,688
2005	3,250,110
2004	3,202,705

## Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has not established any such districts.

## INDEBTEDNESS

### Authorization Procedure and Limitations

Serial bonds and notes are authorized on behalf of the Town by vote of two-thirds of all voters present or voting at an annual or special town meeting. Borrowings for certain purposes require state administrative approval. Temporary loans in anticipation of the revenues of the fiscal year in which debt is incurred, or in anticipation of state and federal grants generally can be incurred without town meeting authorization.

### Debt Limits

General Debt Limit. The general debt limit of the Town consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the Municipal Finance Oversight Board.

There are many categories of general obligation debt which are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal, and economic development (subject to various debt limits), and electric, gas, community antenna television systems and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The general debt limit and the special debt limit for water bonds apply at the time debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds and notes issued for certain purposes including self supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects, as well as for projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" with the approval of the Municipal Finance Oversight Board, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments. Administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes (except for certain school projects) is measured from the date of the original issue of the notes.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawfully unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

The Town of Bedford has not issued revenue anticipation notes in the last five fiscal years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth Water Pollution Abatement Revolving Loan or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns having electric departments may issue revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

**DIRECT DEBT SUMMARY**  
**Projected as of June 30, 2009**

Long-Term Debt (1)(2)		
Within Debt Limit:		
Sewers & Drains	\$ 127,380	
Land Acquisition	2,879,500	
Schools	25,380,500	
Other Building	10,968,332	
Architectural & Engineering Services	311,528	
Other	45,000	
Total Inside	\$ 39,712,240	
Outside Debt Limit		
Water	2,441,800	
Total Outside	2,441,800	
Total Long Term Debt		42,154,040
Short Term Debt		
Bond Anticipation Notes Outstanding(3)	40,589,000	
Notes to be retired with proceeds of the Bonds	15,295,000	
Notes to be retired with MSBA grant funds	(8,000,000)	
Notes to be retired with Revenue Funds	(565,000)	
New Money Notes to issued July 24, 2009(3)	800,000	
Total Short Term Debt After This Issue		16,939,000
The Bonds		15,885,000
<b>Total Direct Debt</b>		<b>\$ 74,978,040</b>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) \$18,155,000 has been exempted from the limits of Proposition 2 ½.

(3) Of the notes outstanding \$36,725,000 relates to the Town's High School project, which is being financed in part with a \$14,725,000 portion of the Bonds. The Town voted to exempt debt service on the High School project from the limitations of Proposition 2 ½. The Town has been approved by the Massachusetts School Building Authority to receive school construction grants for this project. The Town previously received a payment of \$10,000,000 from by the Authority and expects to receive an additional \$8,000,000 payment before July 24, 2009, the maturity date of the Notes, and will use such payment, together with \$565,000 of revenue funds to retire a like amount of bond anticipation notes. The total amount of grants for this project has not yet been determined.

## Debt Ratios

The following table sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year End	Bonds Outstanding	2000 Federal Census Population	Equalized Valuation	Per Capita Debt	Debt as of % of Equalized Valuation
2009	\$ 42,154,040	12,595	\$ 3,141,130,500	\$3,347	1.34 %
2008	46,422,611	12,595	2,946,953,200	3,686	1.58
2007	50,675,202	12,595	2,946,953,200	4,023	1.72
2006	46,880,579	12,595	2,632,511,200	3,722	1.78
2005	50,721,492	12,595	2,632,511,200	4,027	1.93

## Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the outstanding debt of the Town as of June 30, 2009.

### GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE As of June 30, 2009

Fiscal Year	Sewer	Land Acquisition	Schools	Other Building	Architect & Engineering	Water	General	Total Outstanding
2010	\$ 36,850	\$ 243,500	\$ 2,156,500	\$ 1,057,778	\$ 47,082	\$ 251,861	\$ 25,000	\$ 3,818,571
2011	36,850	243,500	2,156,500	1,057,778	22,222	251,861	20,000	3,788,711
2012	36,850	243,500	2,151,500	747,778	22,222	251,861	-	3,453,711
2013	16,830	243,500	2,146,500	717,778	22,222	208,243	-	3,355,073
2014	-	243,500	2,141,500	712,778	22,222	193,243	-	3,313,243
2015	-	238,500	2,141,500	712,778	22,222	183,243	-	3,298,243
2016	-	238,500	2,136,500	712,778	22,222	128,243	-	3,238,243
2017	-	185,000	2,135,000	712,778	22,222	128,243	-	3,183,243
2018	-	185,000	2,135,000	712,778	22,222	90,000	-	3,145,000
2019	-	185,000	1,410,000	712,778	22,222	90,000	-	2,420,000
2020	-	180,000	1,410,000	707,778	22,222	90,000	-	2,410,000
2021	-	180,000	1,410,000	707,778	22,222	90,000	-	2,410,000
2022	-	90,000	860,000	699,996	20,004	95,000	-	1,765,000
2023	-	90,000	860,000	550,000	-	95,000	-	1,595,000
2024	-	90,000	130,000	425,000	-	95,000	-	740,000
2025	-	-	-	20,000	-	100,000	-	120,000
2026	-	-	-	-	-	100,000	-	100,000
	<u>\$ 127,380</u>	<u>\$ 2,879,500</u>	<u>\$ 25,380,500</u>	<u>\$ 10,968,332</u>	<u>\$ 311,528</u>	<u>\$ 2,441,800</u>	<u>\$ 45,000</u>	<u>\$ 42,154,040</u>

## Debt Service Requirements projected as of July 30, 2009

The following table sets forth the required principal and interest payments on the outstanding general obligation bonds of the Town.

Fiscal Year	Outstanding (1)		This Issue (2)		SBA Subsidy	Total Net Debt Service	Cumulative % Retired
	Principal	Interest	Principal	Interest			
2010	\$ 3,818,571	\$ 1,750,921	\$ -	\$ 424,633	\$ (1,777,315)	\$ 4,216,811	6.6 %
2011	3,788,711	1,609,558	1,150,000	622,575	(1,777,315)	5,393,529	15.1
2012	3,453,711	1,468,179	1,150,000	590,950	(1,777,315)	4,885,525	23.0
2013	3,355,073	1,330,116	1,140,000	556,600	(1,777,315)	4,604,475	30.8
2014	3,313,243	1,189,618	1,140,000	522,400	(1,777,315)	4,387,946	38.4
2015	3,298,243	1,048,870	955,000	481,425	(1,777,315)	4,006,223	45.8
2016	3,238,243	908,595	875,000	435,675	(1,777,315)	3,680,198	52.9
2017	3,183,243	768,569	870,000	392,050	(1,777,315)	3,436,547	59.8
2018	3,145,000	628,848	870,000	348,550	(1,777,315)	3,215,083	66.8
2019	2,420,000	486,888	870,000	305,050	(1,777,315)	2,304,623	72.4
2020	2,410,000	379,100	870,000	261,550	(1,777,315)	2,143,335	78.1
2021	2,410,000	270,094	870,000	222,400	(1,777,315)	1,995,179	83.7
2022	1,765,000	175,869	870,000	187,600	(589,055)	2,409,414	88.3
2023	1,595,000	98,519	870,000	152,800	(589,055)	2,127,264	92.5
2024	740,000	31,522	870,000	118,000	-	1,759,522	95.3
2025	120,000	8,800	870,000	83,200	-	1,082,000	97.0
2026	100,000	4,000	865,000	48,500	-	1,017,500	98.7
2027	-	-	780,000	15,600	-	795,600	100.0
	<u>\$ 42,154,040</u>	<u>\$ 12,158,064</u>	<u>\$ 15,885,000</u>	<u>\$ 5,769,558</u>	<u>\$ (22,505,890)</u>	<u>\$ 53,460,771</u>	

(1) \$18,155,000 principal and associated interest has been exempted from the limits of Proposition 2 ½.

(2) \$14,725,000 principal and associated interest has been exempted from the limits of Proposition 2 ½.

## Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds, the Town will have \$22,572,586 of authorized unissued debt for the following purposes:

Middle School	\$ 229
Middlesex Turnpike	145,000
Land Acquisition	4,000
Water Bonds	10,000
Water Mains	50,000
Bedford High School (1)	15,045,330
Water Main Improvements	400,000
Sewer System Expansion	341,000
Road Resurfacing	2,500,000
Water Standpipe Painting	150,000
Shawsheen Well #2 Replacement	100,000
Water Main Improvements	475,000
Infiltration/Inflow Program	272,727
Fire Mini Pumper	218,000
Middlesex Turnpike Water Main Replacement	425,000
North Road water Main Replacement	625,000
Crosby Drive Water Standpipe Painting	260,000
Summer Street Drainage Improvements	180,000
Middlesex Turnpike Property Acquisition	790,000
Infiltration/Inflow Program	581,300
<b>Total</b>	<u><u>22,572,586</u></u>

(1) The Town voted to exempt debt service on the High School project from the limitations of Proposition 2 ½. The Town has been approved by the Massachusetts School Building Authority to receive school construction grants for this project. The total amount of grants for this project has not yet been determined.

## Overlapping Debt

The Town of Bedford is a member of the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Water Resources Authority (MWRA), and is one of 5 members of the Shawsheen Valley Regional Vocational-Technical School District.

The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the MBTA, the MWRA and the School District, the Town of Bedford's share of such debt and the fiscal 2009 dollar assessment for each, except for the school district which is for fiscal 2010.

The following table sets forth the portion of overlapping debt assessed to the Town:

Entity	Bonds Outstanding 6/30/08	Bedford's Estimated Share	Fiscal 2009 Assessments for Operations and Debt Service
Massachusetts Water Resources Authority (1) Sewer	\$ 3,718,957,000	0.670 %	\$2,779,636
Massachusetts Bay Transportation Authority (2)	4,817,079,759	0.002	\$259,662
Shawsheen Valley Regional Vocational Technical School District (3)	720,000	10.00	\$434,967

- (1) Source: Massachusetts Water Resources Authority ("MWRA"). The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.
- (2) Source: Massachusetts Bay Transportation Authority ("MBTA"). The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital purposes. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.
- (3) Source: The District. Assessment for fiscal 2010. Other member communities include Billerica, Burlington, Tewksbury, and Wilmington. Towns may organize regional school districts to carry out, general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform act of 1993.

## Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

The Town began a new 5 year contract with Wheelabrator North Andover, Inc. (WNA) on October 1, 2005 for the disposal of its refuse. Under the new contract, there are no longer any guaranteed annual tonnage requirements, and the Town only pays for tonnage it delivers. \$1,327,231.34 was disbursed to the Town from Tip Fee Stabilization Accounts that were previously used to build up reserves to offset escalating tip fees from the old 20 year contract which ended September 30, 2005. For fiscal year 2007, the tip fees to Wheelabrator North Andover, Inc were \$321,202 and the fiscal 2008 tip fees were \$347,500.

The Town contracts with Allied Waste Systems, Inc. (formerly BFI) to collect and haul its refuse to the WNA waste to energy plant and also collect and market recyclables from curbside. Beginning in fiscal year 2007, the Town entered into a new 3 year contract with Allied Waste Systems, Inc. to handle both refuse and recycling at a total budgeted cost of \$496,263 and budgeted \$566,560 in fiscal 2009.

The Town also participates as a member of the Massachusetts Water Resources Authority (MWRA). The Town's five year "Water Supply Continuation Agreement" with the MWRA expired June 30, 2007 and a new 10 year contract is currently in negotiations. Related to this is the Town's 25 year agreement with the Town of Lexington that enables the Town of Bedford to purchase water from Lexington at MWRA prices with an additional small administration fee. A petition to the General Court to extend the latter agreement to 99 years is being pursued.

Except for the above, and for the transportation of students to school, which contracts are from one to three years in length, the Town has not entered into any long term contracts of a substantial nature.

## RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to the separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under recent legislation enacted in 2003, cities and towns that accepted its provisions and that obtained certain state approvals therefor could, within limits, reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and could extend such schedule by one year, provided that in no event could such funding schedule extend beyond June 30, 2028.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Pension benefits for substantially all Town of Bedford employees, except school teachers, are provided by the Middlesex Retirement system, a cost sharing multiple-employer public employee retirement system that acts as the investment and administrative agent for the Town. School teachers' pensions are covered by the Commonwealth of Massachusetts Teachers' Retirement System to which the Town of Bedford does not contribute. Participation is mandatory for all full-time and part-time (minimum of 18 hrs/wk) non-teaching employees whose employment commences prior to age 65.

The annual required contributions of the Town to the Middlesex Retirement System for the prior five fiscal years and the budgeted amounts for the 2010 fiscal year are as follows:

Fiscal Year	Retirement System Contribution
2010 (Budgeted)	\$ 2,537,710
2009	2,419,498
2008	2,162,000
2007	1,927,370
2006	1,669,361
2005	1,515,896

As of January 1, 2008, Bedford's share of the total estimated past service liability of the system was \$53,702,826 and its assets were \$27,069,431, leaving an estimated unfunded actuarial liability of \$26,633,395.

The Town established a Pension Retirement Account to address the issue of unfunded liability. The balance in the fund was \$1,464,184 as of May 31, 2009.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

#### **Other Post Employment Benefits**

The Town established a Health Claims Fund to account for funds accumulated for health insurance costs related to the Medicare Supplement Plan for retirees. The balance in the account as of May 31, 2009 was \$285,041.

In addition to pension benefits, cities and towns may provide retired employees health care and life insurance benefits. The portion of the cost of such benefits paid by cities and towns is generally provided on a pay-as-you-go basis. The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. The Town received special enabling legislation and created a separate fund, the Post Retirement Benefit Liability Fund to deal with the post retirement benefit liability. The balance in this account was \$1,983,318 as of May 31, 2009. In January, 2009 the Town updated its actuarial study for both past service liability and post retirement benefits liability. The Town will continue to update its actuarial study for both past service liability and post retirement benefit liability. The Town continues to take the appropriate steps to address this unfunded liability.

## EMPLOYEE RELATIONS

City and town employees (other than managerial and confidential employees) are entitled to join collective bargaining units. Contracts are negotiated around issues of wages, hours and other terms and conditions of employment.

The Town has approximately 714 full and part-time permanent employees of whom approximately 64% belong to unions or other collective bargaining groups as follows:

<u>Title of Union Contract</u>	<u>Department</u>	<u>No. of Union Members</u>	<u>Contract Expiration Date</u>
Bedford Police Officers Association	Police	18	6/30/2011
Bedford Permanent Firefighters	Fire	26	6/30/2010
Bedford Public Health Nurses	Public Health	5	6/30/2009 (1)
American Federation of State, County and Municipal Employees	Public Works	27	6/30/2011
Bedford Education Association	School	239	6/30/2011
Bedford Custodian Association	School	24	6/30/2012
Bedford School Secretaries Association	School	18	6/30/2009 (1)
Bedford School Cafeteria Employees	School	20	6/30/2009 (1)
Bedford Teaching Assistants	School	41	6/30/2011
Bedford Education Aides	School	21	6/30/2011
Bedford Emergency Communication Officers	Police	10	6/30/2011
Bedford Police Supervisors Association	Police	9	6/30/2009 (1)
		<u>458</u>	

(1) Currently in negotiations.

## LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth where the Town of Bedford is a defendant. In the opinion of the Town, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

TOWN OF BEDFORD, MASSACHUSETTS  
/s/ Mr. Victor Garofalo  
Town Treasurer

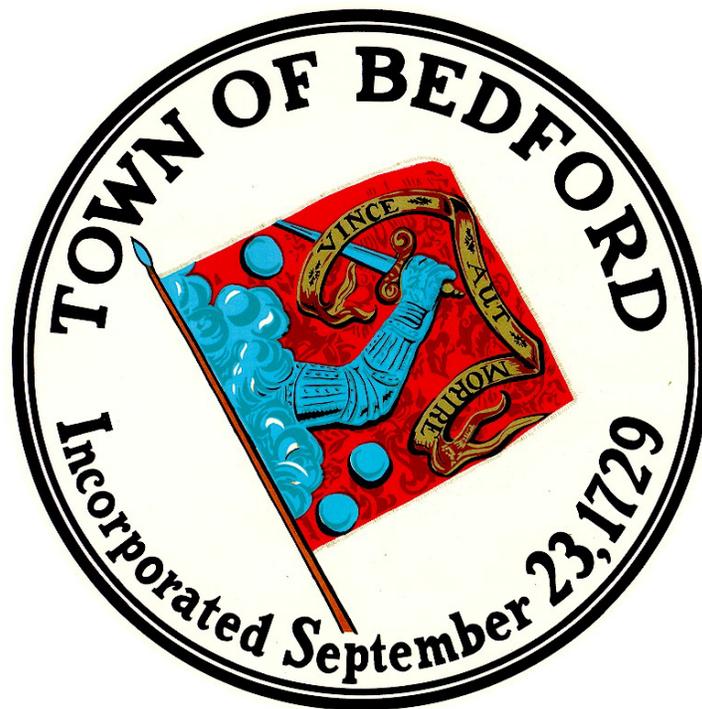
July 10, 2009

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# TOWN OF BEDFORD, MASSACHUSETTS

## FINANCIAL REPORT

For the fiscal year ended June 30, 2008



Prepared by:  
Finance Department

TOWN OF BEDFORD, MASSACHUSETTS

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

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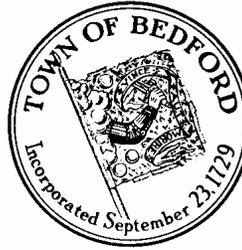
# ***Introductory Section***

*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 Patriot Statue carries the Country's first battle flag, the Bedford Flag.**

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FINANCE DEPARTMENT

Town Hall  
10 Mudge Way  
Bedford, MA 01730-2144

Phone 781-275-2356

**Letter of Transmittal**

December 22, 2008

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, 2008 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, 2008, 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, 2008, 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 17<sup>th</sup> 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 FY09, even with 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 FY08, commercial and industrial property revenue represented 36% 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 slightly, from FY07 to FY08; this increase in value demonstrates the continued desirability of the Town as well as the resiliency of the Town's housing market in an era of significant downturns nationally. There are extensive proposals for new development in Bedford, including a variety of commercial and residential projects. With respect to residential growth, there continues to be significant plans for single family homes, condominiums and rental units; approximately 28% of residential development will be for affordable housing. Also, the Town continues to be a very desirable location for development for many reasons, including its' proximity to two major highways, namely, Route 128 and Route 3.

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 73%. Since its passage in FY 2002, the Town has collected approximately \$12.5 million from a 3% surcharge on property and from corresponding annual State matches. This program continues to be approved annually by Town Meeting and 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 Standard & Poor's AAA bond rating. 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, relates to new school construction, all of which is subject to a 57% reimbursement from the state under the State's previous school building reimbursement program. 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. This High School is now complete and the Town has received the first payment in the amount of \$10 million in reimbursement from the Massachusetts School Building Assistance Authority. The Town is expecting to be reimbursed by the Authority for approximately 42% of overall project costs for this new project, so future reimbursements are anticipated.

### **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, June 30, 2005, June 30, 2006 and June 30, 2007. 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.

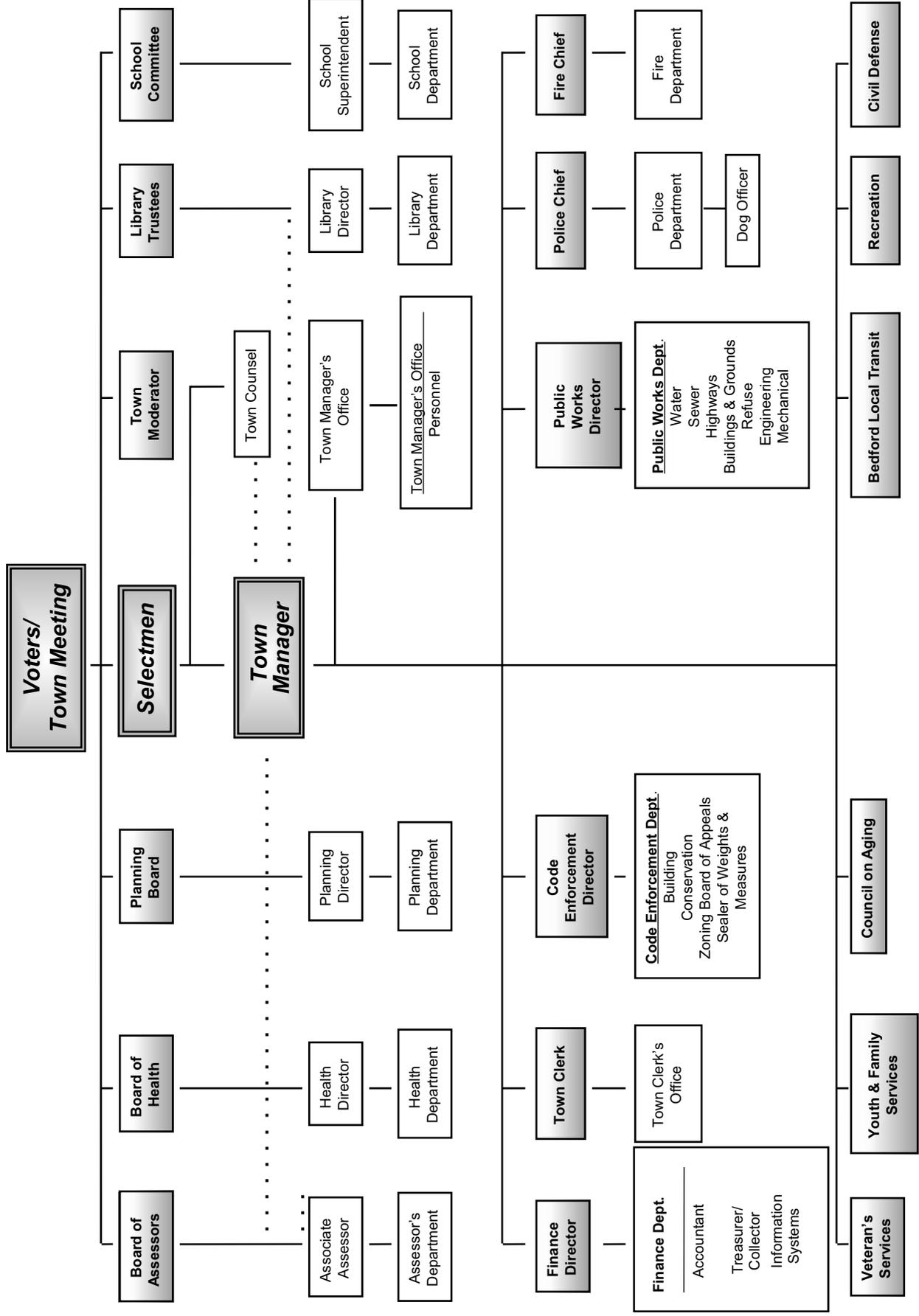
The preparation of this report would not have been possible without the efficient and dedicated services of the Town Accountant, the Treasurer/Collector and the rest of the staff of the Finance Department. We would like to also express our appreciation to all the members of the departments who assisted 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

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.*



**Bedford Town Hall**

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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, 2008, 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 the standards applicable to financial audits contained in *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, 2008, 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 December 22, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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, schedule of funding progress, and schedule of employer contributions, 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 "Bowers + Sullivan".

December 22, 2008

# ***Management's Discussion and Analysis***

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## ***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, 2008. 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, and interest.

**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 two 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 \$141 million at the close of FY2008.

Net assets of \$104.8 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 \$8.5 million (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$27.7 million (20%) may be used to meet the government’s ongoing obligations to citizens and creditors.

	FY08	FY07
<b>Assets:</b>		
Current assets.....	\$ 57,303,588	\$ 43,098,688
Noncurrent assets (excluding capital).....	16,273,693	17,417,411
Capital assets.....	166,134,241	148,561,392
<b>Total assets.....</b>	<b>239,711,522</b>	<b>209,077,491</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	9,434,927	9,975,065
Noncurrent liabilities (excluding debt).....	446,000	454,000
Current debt.....	46,678,571	24,336,741
Noncurrent debt.....	42,154,041	46,338,462
<b>Total liabilities.....</b>	<b>98,713,539</b>	<b>81,104,268</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	104,793,480	97,543,569
Restricted.....	8,473,528	7,975,216
Unrestricted.....	27,730,975	22,454,438
<b>Total net assets.....</b>	<b>\$ 140,997,983</b>	<b>\$ 127,973,223</b>

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 increased by \$13.0 million during the current fiscal year. This is primarily due to the recognition of a \$10 million capital grant from the Massachusetts School Building Authority to reimburse eligible construction costs related to the High School building project. The increase is also comprised of an increase of \$1.6 million in charges for services, which is attributable to water and sewer rate increases and an additional \$1.4 million in capital grants.

Condensed financial data for fiscal years 2008 and 2007 is presented below.

	<u>FY08</u>	<u>FY07</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 11,418,098	\$ 9,852,332
Operating grants and contributions.....	13,975,158	13,240,827
Capital grants and contributions.....	11,294,292	1,646,828
<b>General Revenues:</b>		
Real estate and personal property taxes.....	42,055,800	39,283,369
Tax liens.....	100,953	161,561
Motor vehicle excise taxes.....	2,241,778	2,193,990
Community preservation tax.....	1,071,678	1,005,955
Penalties and interest on taxes.....	111,553	114,944
Payments in lieu of taxes.....	1,279,990	1,221,245
Unrestricted grants and contributions.....	1,426,584	1,501,668
Unrestricted investment income.....	2,600,039	2,605,592
<b>Total revenues.....</b>	<b><u>87,575,923</u></b>	<b><u>72,828,311</u></b>
<b>Expenses:</b>		
General Government.....	4,724,817	5,417,160
Public Safety.....	8,220,383	7,680,670
Education.....	40,578,333	40,624,444
Public Works.....	7,105,107	6,301,533
Water.....	1,417,134	1,556,392
Sewer.....	3,986,168	4,024,790
Human Services.....	1,233,859	1,248,160
Culture and Recreation.....	3,499,833	3,324,537
Interest.....	3,785,529	3,057,173
<b>Total expenses.....</b>	<b><u>74,551,163</u></b>	<b><u>73,234,859</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>13,024,760</u></b>	<b>\$ <u>(406,548)</u></b>

## **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 \$34.7 million, an increase of \$25.7 million from prior year. The reasons for this increase are described below.

The **General Fund** is the chief operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$5.5 million, while total fund balance was \$10.1 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 8% of total general fund expenditures, while total fund balance represents 15% of that same amount.

During fiscal year 2008, the general fund balance decreased by approximately \$39,000. This was due primarily to the Town's planned use of reserves to fund current year operations offset by an increase of available fund transfers from other funds to fund current year operations.

The **High School major fund** is used to account for the renovation project at the High School. To finance this project, the Town has issued debt totaling \$44 million. Grant anticipation notes comprise \$10 million of this debt and represents temporary borrowing in anticipation of reimbursement from the Massachusetts School Building Authority (MSBA). This has been recorded as a receivable and a capital grant during fiscal year 2008. Through fiscal year 2008, the Town had expended \$44.6 million to complete the project. There was a total net increase of approximately \$24.5 million in this major fund during the year, primarily due to the capital grant revenue recorded from MSBA, the \$32 million in bond proceeds and \$17.5 million in capital expenditures.

**Nonmajor governmental funds** had a net increase of \$1.3 million. The increase is primarily due the net effect of an increase of \$800 thousand in the Community Preservation Fund; an increase in the Stabilization Fund of \$500 thousand; and increase in the Post Employment Benefits Fund of \$400 thousand; an increase in the Sewer Fund of \$700 thousand; a decrease in the Grants Fund of (\$400); and a decrease in the Town Capital Projects Fund of (\$700) thousand.

### **Financial Summary**

- Tax revenue continues to be the most significant revenue source for the Town, comprising 64.6% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts general law, which limits such increase to 2 ½ % over the preceding year plus an allowance for new growth. In FY08, 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 17.6% of total general fund revenues. This includes state aid as well as \$4.7 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 3.5% of the total general fund revenues.

- License and permit revenue, in the Departmental & Other category, increased approximately \$309,000, reflecting vigorous home renovation and building activity in the Town.
- Education continues to represent the largest category of general fund expenditures, 42% in FY08. 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 FY08 were 12% of total general fund expenditures, reflecting increased principal and interest payments associated with school building programs. The Town is benefiting from a 57% reimbursement from the State under the State's previous school building reimbursement program and a 42% reimbursement for the new school construction project.
- Employee benefits equal 8% of total general fund expenditures in FY2008, 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.

Departmental and Other Revenues exceeded budget by approximately \$526,000, primarily occurring in the licenses and permits account. Building permitting receipts continued to be strong, reflecting a strong residential housing market and commitment of residents to remain in Town.

Actual general fund expenditures are lower than final budget by approximately \$4.1 million and of this amount \$2.0 million of appropriations were carried forward to FY2009. The remaining \$2.1 million appropriation surplus was comprised of the reserve appropriations, insurance and benefits, selectmen, school and debt service.

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 expenditures and continuing appropriations were lower than anticipated by 6.1%.

The Town remains committed to conservative budgets, tight management controls, and to maintaining reserves, particularly the Stabilization Fund (\$3.6 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 one year.
- 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.

During fiscal year 2008, the Town's construction in progress increased by \$19.7 million related to the high school project, bringing the total Construction in Progress to approximately \$44.9 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, 2008, totaled \$78.8 million of which \$57 million is related to current and previous school construction and remodeling projects, \$16.4 million for public works, \$3.1 million for land acquisitions, and \$2.3 million for town center facility.

The Town had a \$10,000,000 Grant Anticipation Note outstanding at fiscal year end related to the high school project for a capital grant due from the Massachusetts School Building Authority.

Please refer to notes 4, 7 and 8 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, 2008

	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 33,624,218
Investments.....	7,297,083
Receivables, net of allowance for uncollectibles:	
Real estate and personal property taxes.....	408,206
Tax liens.....	421,680
Motor vehicle excise taxes.....	131,482
User fees.....	1,835,449
Departmental and other.....	184,823
Intergovernmental.....	13,346,878
Tax foreclosures.....	53,769
Total current assets.....	57,303,588
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	16,273,693
Capital assets - nondepreciable.....	65,854,758
Capital assets - depreciable (net of accumulated depreciation).....	100,279,483
Total noncurrent assets.....	182,407,934
TOTAL ASSETS.....	239,711,522
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	1,725,892
Accrued payroll.....	1,298,405
Health claims payable.....	69,000
Tax refunds payable.....	1,579,980
Accrued interest.....	2,311,700
Other liabilities.....	1,048,507
Customer deposits payable.....	659,443
Compensated absences.....	742,000
Bonds and notes payable.....	46,678,571
Total current liabilities.....	56,113,498
NONCURRENT:	
Compensated absences.....	446,000
Bonds and notes payable.....	42,154,041
Total noncurrent liabilities.....	42,600,041
TOTAL LIABILITIES.....	98,713,539
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt.....	104,793,480
Restricted for:	
Permanent funds:	
Expendable.....	391,983
Nonexpendable.....	458,578
Grants and gifts.....	1,915,667
Community preservation.....	5,707,300
Unrestricted.....	27,730,975
TOTAL NET ASSETS.....	\$ 140,997,983

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,724,817	\$ 515,684	\$ 944,927	\$ 816,986	\$ (2,447,220)
Public safety.....	8,220,383	1,912,935	438,495	-	(5,868,953)
Education.....	40,578,333	738,510	10,727,199	10,000,000	(19,112,624)
Public works.....	7,105,107	127,175	1,853	475,786	(6,500,293)
Water.....	1,417,134	3,011,711	-	-	1,594,577
Sewer.....	3,986,168	4,361,601	-	-	375,433
Human services.....	1,233,859	69,505	109,440	-	(1,054,914)
Culture and recreation.....	3,499,833	680,977	1,054,098	1,520	(1,763,238)
Interest.....	3,785,529	-	699,146	-	(3,086,383)
Total Governmental Activities.....	\$ <u>74,551,163</u>	\$ <u>11,418,098</u>	\$ <u>13,975,158</u>	\$ <u>11,294,292</u>	\$ <u>(37,863,615)</u>

See notes to basic financial statements.

(Continued)

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities
<b>Changes in net assets:</b>	
Net (expense) revenue from previous page.....	\$ <u>(37,863,615)</u>
<i>General revenues:</i>	
Real estate and personal property taxes, net of tax refunds payable.....	42,055,800
Tax liens.....	100,953
Motor vehicle excise taxes.....	1,827,624
Hotel/motel tax.....	414,154
Community preservation tax.....	1,071,678
Penalties and interest on taxes.....	111,553
Payments in lieu of taxes.....	1,279,990
Grants and contributions not restricted to specific programs.....	1,426,584
Unrestricted investment income.....	<u>2,600,039</u>
 Total general revenues.....	 <u>50,888,375</u>
 Change in net assets.....	 13,024,760
<i>Net Assets:</i>	
Beginning of year.....	<u>127,973,223</u>
End of year.....	\$ <u><u>140,997,983</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2008

<b>ASSETS</b>	General	High School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,985,365	\$ 2,985,070	\$ 15,653,783	\$ 33,624,218
Investments.....	239,957	-	7,057,126	7,297,083
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	408,206	-	-	408,206
Tax liens.....	421,680	-	-	421,680
Motor vehicle excise taxes.....	131,482	-	-	131,482
User fees.....	880,503	-	954,946	1,835,449
Departmental and other.....	102,188	-	82,635	184,823
Intergovernmental.....	17,491,851	10,000,000	2,128,720	29,620,571
Tax foreclosures.....	53,769	-	-	53,769
<b>TOTAL ASSETS.....</b>	<b>\$ 34,715,001</b>	<b>\$ 12,985,070</b>	<b>\$ 25,877,210</b>	<b>\$ 73,577,281</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 361,418	\$ 1,039,202	\$ 325,272	\$ 1,725,892
Accrued payroll.....	1,298,405	-	-	1,298,405
Health claims payable.....	69,000	-	-	69,000
Tax refunds payable.....	1,579,980	-	-	1,579,980
Accrued interest on short-term debt.....	397,000	-	-	397,000
Liabilities due depositors.....	659,443	-	-	659,443
Other liabilities.....	1,048,507	-	-	1,048,507
Deferred revenues.....	19,182,954	-	2,898,579	22,081,533
Notes payable.....	-	10,000,000	-	10,000,000
<b>TOTAL LIABILITIES.....</b>	<b>24,596,707</b>	<b>11,039,202</b>	<b>3,223,851</b>	<b>38,859,760</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations.....	1,969,641	-	-	1,969,641
Perpetual permanent funds.....	-	-	458,578	458,578
Unreserved:				
Designated for subsequent year's expenditures....	2,600,000	-	-	2,600,000
Undesignated, reported in:				
General fund.....	5,548,653	-	-	5,548,653
Special revenue funds.....	-	-	21,066,563	21,066,563
Capital projects funds.....	-	1,945,868	736,235	2,682,103
Permanent funds.....	-	-	391,983	391,983
<b>TOTAL FUND BALANCES.....</b>	<b>10,118,294</b>	<b>1,945,868</b>	<b>22,653,359</b>	<b>34,717,521</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 34,715,001</b>	<b>\$ 12,985,070</b>	<b>\$ 25,877,210</b>	<b>\$ 73,577,281</b>

See notes to basic financial statements.

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

JUNE 30, 2008

Total governmental fund balances.....		\$ 34,717,521
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		166,134,241
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		22,081,533
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,914,700)
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.....	(78,832,612)	
Compensated absences.....	<u>(1,188,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(80,020,612)</u>
Net assets of governmental activities.....		<u>\$ 140,997,983</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	High School	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 42,038,212	\$ -	\$ -	\$ 42,038,212
Motor vehicle excise taxes.....	2,304,203	-	-	2,304,203
Community preservation tax.....	-	-	1,064,383	1,064,383
Charges for services.....	2,821,798	-	4,219,984	7,041,782
Penalties and interest on taxes.....	111,553	-	-	111,553
Payments in lieu of taxes.....	1,279,990	-	-	1,279,990
Intergovernmental.....	11,466,310	10,000,000	3,521,962	24,988,272
Departmental and other.....	3,293,468	-	3,588,091	6,881,559
Contributions.....	-	-	208,488	208,488
Investment income.....	1,761,174	-	838,865	2,600,039
<b>TOTAL REVENUES.....</b>	<b>65,076,708</b>	<b>10,000,000</b>	<b>13,441,773</b>	<b>88,518,481</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	3,302,843	-	1,254,422	4,557,265
Public safety.....	5,645,564	-	1,166,185	6,811,749
Education.....	28,756,349	17,510,679	2,946,701	49,213,729
Public works.....	5,197,396	-	534,508	5,731,904
Water.....	1,004,139	-	576,914	1,581,053
Sewer.....	662,627	-	147,547	810,174
MWRA assessment.....	2,662,238	-	-	2,662,238
Human services.....	939,060	-	37,191	976,251
Culture and recreation.....	1,212,450	-	1,808,848	3,021,298
Pension benefits.....	6,942,882	-	-	6,942,882
Employee benefits.....	5,749,526	-	-	5,749,526
State and county charges.....	254,413	-	-	254,413
Debt service:				
Principal.....	4,336,741	-	-	4,336,741
Interest.....	2,565,962	-	-	2,565,962
<b>TOTAL EXPENDITURES.....</b>	<b>69,232,190</b>	<b>17,510,679</b>	<b>8,472,316</b>	<b>95,215,185</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(4,155,482)</b>	<b>(7,510,679)</b>	<b>4,969,457</b>	<b>(6,696,704)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt.....	-	32,000,000	494,150	32,494,150
Transfers in.....	4,746,703	-	687,312	5,434,015
Transfers out.....	(630,000)	-	(4,804,015)	(5,434,015)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,116,703</b>	<b>32,000,000</b>	<b>(3,622,553)</b>	<b>32,494,150</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(38,779)</b>	<b>24,489,321</b>	<b>1,346,904</b>	<b>25,797,446</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>10,157,073</b>	<b>(22,543,453)</b>	<b>21,306,455</b>	<b>8,920,075</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 10,118,294</b>	<b>\$ 1,945,868</b>	<b>\$ 22,653,359</b>	<b>\$ 34,717,521</b>

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, 2008

Net change in fund balances - total governmental funds.....	\$	25,797,446
<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.....		23,362,507
Depreciation expense.....		<u>(5,789,658)</u>
Net effect of reporting capital assets.....		17,572,849
<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>		
		(942,559)
<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.....		(32,494,150)
Debt service principal payments.....		<u>4,336,741</u>
Net effect of reporting long-term debt.....		(28,157,409)
<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.....		(26,000)
Net change in accrued interest on long-term debt.....		<u>(1,219,567)</u>
Net effect of recording long-term liabilities.....		<u>(1,245,567)</u>
Change in net assets of governmental activities.....	\$	<u><u>13,024,760</u></u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 5,519	\$ 754,156
Investments.....	70,049	-
TOTAL ASSETS.....	<u>75,568</u>	<u>754,156</u>
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	754,156
TOTAL LIABILITIES.....	<u>-</u>	<u>754,156</u>
<b>NET ASSETS</b>		
Held in trust for other purposes.....	\$ <u>75,568</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
<b><u>ADDITIONS:</u></b>	
Interest.....	\$ <u>6,281</u>
<b><u>DEDUCTIONS:</u></b>	
Charitable gifts.....	<u>3,587</u>
CHANGE IN NET ASSETS.....	2,694
NET ASSETS AT BEGINNING OF YEAR.....	<u>72,874</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>75,568</u></u>

See notes to basic financial statements.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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.

**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. 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. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*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 and claims and judgments 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 *High School fund* is used to account for the upgrades and renovations to the High School.

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 *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 *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. The agency funds do not have a measurement focus. 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. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 are 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, construction in progress, 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, including infrastructure 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.

In the case of the initial capitalization of general infrastructure assets the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending.

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 reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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 2009 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, 2008, this expenditure totaled approximately \$918,000. There were 281 participants eligible to receive benefits at June 30, 2008.

#### Q. 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.

#### R. 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 \$19,718,771 and the bank balance totaled \$21,032,905. Of the bank balance, \$1,476,458 was covered by Federal Depository Insurance, \$157,387 was covered by the Depositors’ Insurance Fund, \$2,106,755 was collateralized, \$1,040,000 was covered by Customer Asset Protection Company and \$16,252,305 was subject to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2008, the Town had the following investments:

<b>Investment Type</b>	<u>Fair Value</u>	<u>Maturity</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt Securities</u>			
U.S.Treasury Notes.....	\$ 34,781	\$ -	\$ 34,781
Government Sponsored Enterprises....	5,558,114	505,895	4,850,469
Corporate bonds.....	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total Debt Securities.....	5,992,895	<u>\$ 905,895</u>	<u>\$ 4,885,250</u>
<u>Other Investments</u>			
Equity Securities.....	1,374,237		
Money Market Mutual Funds.....	1,772,396		
MMDT.....	<u>12,892,726</u>		
Total Investments.....	<u>\$ 22,032,254</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, \$34,781 in U.S. Treasury Notes, \$5,558,114 in Government Sponsored Enterprises, \$400,000 in Corporate Bonds and \$1,374,237 in equity securities, \$500,000 is covered by Securities Investor Protection Corporation, and the remaining \$8,438,415 is covered by Customer Asset Protection Corporation, however there is no coverage for losses due to market fluctuations. 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 investments in U.S. Treasury Notes and Government Sponsored Enterprises are rated AAA, while the Corporate bonds are rated A1.

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, 2008, 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.....	\$ 408,206	\$ -	\$ 408,206
Tax liens.....	421,680	-	421,680
Motor vehicle excise taxes.....	153,517	(22,035)	131,482
User fees.....	1,835,449	-	1,835,449
Departmental and other.....	200,313	(15,490)	184,823
Intergovernmental.....	<u>29,620,571</u>	<u>-</u>	<u>29,620,571</u>
 Total.....	 <u>\$ 32,639,736</u>	 <u>\$ (37,525)</u>	 <u>\$ 32,602,211</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	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 101,481	\$ -	\$ 101,481
Tax liens.....	421,680	-	421,680
Motor vehicle excise taxes.....	131,482	-	131,482
User fees.....	880,503	954,946	1,835,449
Departmental and other.....	102,188	82,635	184,823
Intergovernmental.....	17,491,851	1,860,998	19,352,849
Tax foreclosures.....	<u>53,769</u>	<u>-</u>	<u>53,769</u>
 Total.....	 <u>\$ 19,182,954</u>	 <u>\$ 2,898,579</u>	 <u>\$ 22,081,533</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 20,143,215	\$ 717,300	\$ -	\$ 20,860,515
Construction in progress.....	25,268,453	19,725,790	-	44,994,243
Total capital assets not being depreciated.....	<u>45,411,668</u>	<u>20,443,090</u>	<u>-</u>	<u>65,854,758</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	82,108,128	229,677	-	82,337,805
Machinery and equipment.....	3,356,438	221,319	-	3,577,757
Vehicles.....	4,928,223	1,166,508	(33,959)	6,060,772
Infrastructure.....	92,744,310	1,301,913	-	94,046,223
Total capital assets being depreciated.....	<u>183,137,099</u>	<u>2,919,417</u>	<u>(33,959)</u>	<u>186,022,557</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(22,869,871)	(2,890,117)	-	(25,759,988)
Machinery and equipment.....	(2,016,081)	(365,089)	-	(2,381,170)
Vehicles.....	(3,131,030)	(510,875)	33,959	(3,607,946)
Infrastructure.....	(51,970,393)	(2,023,578)	-	(53,993,971)
Total accumulated depreciation.....	<u>(79,987,375)</u>	<u>(5,789,658)</u>	<u>33,959</u>	<u>(85,743,074)</u>
Total capital assets being depreciated, net.....	<u>103,149,724</u>	<u>(2,870,241)</u>	<u>-</u>	<u>100,279,483</u>
Total governmental activities capital assets, net.....	<u>\$ 148,561,392</u>	<u>\$ 17,572,849</u>	<u>\$ -</u>	<u>\$ 166,134,241</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 466,583
Public safety.....	345,924
Education.....	2,236,309
Public works.....	1,216,762
Water.....	424,772
Sewer.....	884,990
Culture and recreation.....	<u>214,318</u>
Total depreciation expense - governmental activities.....	<u>\$ 5,789,658</u>

**NOTE 5 - OPERATING LEASES**

The School has a lease agreement for modular classrooms. The payment schedule is as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2009 .....	\$ <u>83,970</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 630,000	\$ 630,000 (1)
Nonmajor Sewer Fund.....	3,588,423	-	3,588,423 (2)
Nonmajor Other Governmental Funds...	<u>1,158,280</u>	<u>57,312</u>	<u>1,215,592 (3)</u>
Total.....	<u>\$ 4,746,703</u>	<u>\$ 687,312</u>	<u>\$ 5,434,015</u>

- (1) Represents a transfer of \$380,000 transfer to the stabilization fund, and a \$250,000 transfer to the Post Employment Benefits fund to offset the anticipated future costs of funding the accumulated post retirement benefit obligation for the Town.
- (2) Represents transfer from the sewer fund to the general fund.
- (3) Represents transfers from the sewer, cemetery, pension, grants, community preservation, and other special revenue funds to finance the Town’s operating budget.

**NOTE 7 - 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, 2008, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2008
BAN	High School Renovation.....	4.50%	7/27/2007	\$ 20,000,000	\$ -	\$ 20,000,000	\$ -
GAN	High School Renovation.....	4.25%	7/24/2008	-	10,000,000	-	10,000,000
Total.....				\$ 20,000,000	\$ 10,000,000	\$ 20,000,000	\$ 10,000,000

On July 24, 2008, the Town paid down \$2,761,000 of GANs with available funds and reissued \$7,239,000 of GANs with an interest rate of 2.5%, payable on July 24, 2009. The Town also rolled over \$32,410,000 in BANs outstanding at year-end, with an interest rate of 2.5%, payable on July 24, 2009. Since the BANs have been replaced by debt that extends over one year beyond the fiscal year end, the BANs outstanding at year end have been classified as long-term debt as further disclosed in note 8.

**NOTE 8 - 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".

The Town issued \$84,150 of sewer bonds during fiscal 2008. In addition, subsequent to year end, on July 24, 2008, the Town rolled over \$32,000,000 of High School BANs and \$410,000 of Fire Pumper BANs outstanding at June 30, 2008 with an ultimate maturity date in fiscal year 2010. Since the BANs have been replaced by debt that extends over one year beyond the fiscal year end, the Town considers this debt long-term and has recorded a long-term liability and the proceeds as other financing sources.

Details related to the outstanding indebtedness at June 30, 2008, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Building Construction - School.....	4.40	\$ 7,230,940	\$ -	\$ 659,445	\$ 6,571,495
Building Remodeling - School.....	4.40	550,000	-	50,000	500,000
Land Acquisition.....	4.40	482,500	-	54,500	428,000
Engineering Services - School.....	4.40	231,560	-	21,055	210,505
Building Addition - School.....	5.40	7,720,000	-	555,000	7,165,000
Traffic Signal Installation.....	5.40	95,000	-	25,000	70,000
Water Bonds-MWRA.....	0.00	218,090	-	43,618	174,472
Water Bonds-MWRA.....	0.00	120,000	-	20,000	100,000
Building Construction - Public Works.....	4.05	1,960,000	-	135,000	1,825,000
Departmental Equipment - Public Safety.....	2.83	75,000	-	75,000	-
Building Construction - School.....	4.11	11,710,000	-	735,000	10,975,000
Land Acquisition.....	3.97	230,300	-	17,200	213,100
Land Acquisition.....	3.97	331,450	-	24,550	306,900
Land Acquisition.....	3.97	350,000	-	25,000	325,000
Land Acquisition.....	3.97	383,250	-	28,250	355,000
Engineering Services - Public Works.....	4.05	331,112	-	22,222	308,890
Building Construction - Public Works.....	4.05	338,888	-	22,778	316,110
Building Remodeling - Town Hall.....	3.30	1,250,000	-	315,000	935,000
Outdoor Recreation Facility.....	3.50	600,000	-	300,000	300,000
Architectural Services Building - School.....	3.50	265,000	-	135,000	130,000
Building Remodeling - Municipal.....	3.80	2,850,000	-	175,000	2,675,000
Land Acquisition .....	3.83	1,200,000	-	75,000	1,125,000
Building Construction - Public Works.....	3.82	4,215,000	-	275,000	3,940,000
Sewer Bonds-MWRA.....	0.00	74,580	-	24,860	49,720
Water Equipment.....	3.74	448,000	-	63,000	385,000
Water Mains.....	3.96	1,780,000	-	90,000	1,690,000
Water Bonds-MWRA.....	0.00	382,433	-	38,243	344,190
High School Renovation.....	3.90	2,250,000	-	135,000	2,115,000
Land Acquisition.....	3.90	400,000	-	25,000	375,000
Town Center Facility.....	3.92	2,110,000	-	125,000	1,985,000
Town Hall Remodeling.....	3.93	392,000	-	27,000	365,000
Sewer Bonds-MWRA.....	0.00	100,100	-	20,020	80,080
Sewer Bonds-MWRA.....	0.00	-	84,150	-	84,150
High School Renovation - Long-term BAN.....	4.25	-	32,000,000	-	32,000,000
Fire Pumper - Long-term BAN.....	4.25	-	410,000	-	410,000
Total bonds and notes payable.....		\$ 50,675,203	\$ 32,494,150	\$ 4,336,741	\$ 78,832,612

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009.....	\$ 4,268,571	\$ 1,905,666	\$ 6,174,237
2010.....	36,228,571	1,750,920	37,979,491
2011.....	3,788,711	1,609,553	5,398,264
2012.....	3,453,711	1,468,177	4,921,888
2013.....	3,355,073	1,330,116	4,685,189
2014.....	3,313,243	1,189,619	4,502,862
2015.....	3,293,243	1,048,870	4,342,113
2016.....	3,243,243	908,594	4,151,837
2017.....	3,183,246	768,565	3,951,811
2018.....	3,145,000	628,846	3,773,846
2019.....	2,420,000	486,888	2,906,888
2020.....	2,410,000	379,100	2,789,100
2021.....	2,410,000	270,093	2,680,093
2022.....	1,765,000	175,869	1,940,869
2023.....	1,595,000	98,516	1,693,516
2024.....	740,000	31,545	771,545
2025.....	120,000	8,800	128,800
2026.....	100,000	4,000	104,000
Totals.....	\$ <u>78,832,612</u>	\$ <u>14,063,737</u>	\$ <u>92,896,349</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 2008 the Town received \$84,150 in loan proceeds from this program. At June 30, 2008, the outstanding principal amount of these loans totaled \$832,612.

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 2008, \$1,777,316 of such assistance was received. Approximately \$32,035,000 will be received in future fiscal years. Of this amount, approximately \$4,618,000 represents reimbursement of long-term interest costs, and \$27,417,000 represents reimbursement of approved construction costs including \$10,000,000 in recent costs associated with the new high school project which the Town received in July 2008 to retire GANS outstanding. Accordingly, a \$27,417,000 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, 2008, the Town had the following authorized and unissued debt:

Purpose	Amount
Middle School.....	\$ 229
Middlesex Turnpike.....	145,000
Land Acquisition.....	4,000
Water Standpipe Painting.....	150,000
Water Bonds.....	10,000
Water Main.....	925,000
Infiltration/Inflow Program.....	150,000
Bedford High School.....	6,135,330
Shawsheen Well Replacement.....	100,000
Sewer System Expansion.....	341,000
Road Resurfacing.....	<u>3,250,000</u>
Total.....	<u>\$ 11,210,559</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Long-Term Bonds and Notes.....	\$ 50,675,203	\$ 32,494,150	\$ (4,336,741)	\$ 78,832,612	\$ 4,268,571
Compensated Absences.....	<u>1,162,000</u>	<u>734,000</u>	<u>(708,000)</u>	<u>1,188,000</u>	<u>742,000</u>
Total.....	<u>\$ 51,837,203</u>	<u>\$ 33,228,150</u>	<u>\$ (5,044,741)</u>	<u>\$ 80,020,612</u>	<u>\$ 5,010,571</u>

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

**NOTE 9 - SPECIAL REVENUE RESERVE**

Stabilization Fund

At June 30, 2008, \$3,602,228 was 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 \$1,715,575 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, 2008, the cumulative amount of approximately \$1,997,350 has been raised for this purpose and has been classified as a non-major governmental fund in the fund financial statements.

**NOTE 10 - 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, 2008 the incurred-but-not-reported claims totaled \$69,000. This estimate is based on actual claims paid. Changes in the reported liability since July 1, 2006 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 2007.....	\$ 61,000	\$ 686,082	\$ (683,082)	\$ 64,000
Fiscal Year 2008.....	64,000	756,609	(751,609)	69,000

**NOTE 11 - 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 \$4,773,542 for the fiscal year ended June 30, 2008, 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, 2008, 2007, and 2006 were approximately \$2,156,000, \$1,927,000, and \$1,669,000, respectively, which equaled its required contribution for each fiscal year.

#### **NOTE 12 - 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 13 - 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, 2008, 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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2008.

#### **NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2008, the following GASB pronouncements were implemented:

The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement did not impact the basic financial statements.

The GASB issued Statement #50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This GASB has changed the disclosures related to pensions.

The GASB issue Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. The standards require the government to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early. This standard did not impact the basic financial statements.

The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. Management elected to implement this standard early. This standard did not impact the basic financial statements.

*Other Future GASB Pronouncements:*

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.

## EDWARDS ANGELL PALMER &amp; DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Victor Garofalo, Treasurer  
Town of Bedford  
Bedford, Massachusetts

\$15,885,000  
Town of Bedford, Massachusetts  
General Obligation Municipal Purpose Loan of 2009 Bonds  
Dated July 15, 2009

We have acted as bond counsel to the Town of Bedford, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of

such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Bedford, Massachusetts (the "Town") in connection with the issuance of its \$15,885,000 General Obligation Municipal Purpose Loan of 2009 Bonds dated July 15, 2009 (the "Bonds"). The Town covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Town for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted when available separately from the balance of the Annual Report.

(b) If the Town is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Town shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Town's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Town's Official Statement dated July \_\_, 2009 relating to the Bonds regarding (i) the revenues and expenditures of the Town relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Town, and (vi) pension obligations of the Town, and

(b) the most recently available audited financial statements of the Town, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Town or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Town shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The Town shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the Town shall promptly file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Town), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Town of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply

with this Disclosure Certificate shall be an action for specific performance of the Town's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2009

TOWN OF BEDFORD,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Selectmen

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]