

OFFICIAL STATEMENT DATED MARCH 14, 2007

Ratings: See "Rating" herein.
Standard & Poor's Ratings Group: AAA
Moody's Investors Service: Aa1

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. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is 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 Town WILL NOT designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "THE BONDS-Tax Exemption" herein and Appendix B attached hereto.

TOWN OF BEDFORD, MASSACHUSETTS

\$7,380,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2007 BONDS

DATED
April 1, 2007

DUE
May 1,
(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 payable May 1 of the years in which the Bonds mature. Interest on the Bonds will be payable May 1 and November 1, commencing November 1, 2007.

The Bonds are subject to redemption prior to their stated dates of maturity as set forth 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 \$2,250,000 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 \$5,130,000 portion of the Bonds that the Town has not voted to exempt from that limit.

MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS

Due May 1	Principal Amount	Interest Rate	Price/or Yield	CUSIP 076221	Due May 1	Principal Amount	Interest Rate	Price/or Yield	CUSIP 076221
2008	\$ 465,000	5.50	% 3.45	WU0	2018	\$ 390,000	4.00	% 3.80	XE5
2009	460,000	5.50	3.48	WV8	2019	390,000	4.00	3.85	XF2
2010	460,000	4.125	3.48	WW6	2020	385,000	4.00	3.90	XG0
2011	460,000	4.00	3.48	WX4	2021	385,000	4.00	3.95	XH8
2012	460,000	4.00	3.50	WY2	2022	385,000	4.00	4.00	XJ4
2013	460,000	4.00	3.53	WZ9	2023	385,000	4.00	4.02	XK1
2014	460,000	4.00	3.55	XA3	2024	385,000	4.00	4.04	XL9
2015	450,000	4.00	3.60	XB1	2025	120,000	4.00	4.06	XM7
2016	390,000	4.00	3.65	XC9	2026	100,000	4.00	4.08	XN5
2017	390,000	4.00	3.70	XD7					

(plus accrued interest to be added if any)

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. First Southwest Company has acted as Financial Advisor to the Town of Bedford, Massachusetts with respect to the Bonds. Bonds in definitive form will be delivered to DTC or to its custodial agent on or about April 3, 2007 for settlement in Federal Reserve Funds.

UBS INVESTMENT BANK

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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: Wednesday, March 14, 2007, 11:00 a.m. (E.T).

Location of Sale: First Southwest Company, 54 Canal Street, 2nd Floor, Boston, Massachusetts 02114.

Issuer: Town of Bedford, Massachusetts.

Issue: \$7,380,000 General Obligation Municipal Purpose Loan of 2007 Bonds, Book Entry Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Preliminary Official Statement Dated: March 5, 2007.

Dated Date of the Bonds: April 1, 2007.

Principal Due: Serially May 1, 2008 through May 1, 2026 as detailed herein.

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

Redemption: The Bonds are subject to redemption prior to their stated maturity dates as set forth 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 \$2,250,000 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 \$5,130,000 portion of the Bonds that the Town has not voted to exempt from that limit.

Credit Rating: Standard & Poor's Ratings Group and Moody's Investors Service have assigned the ratings of AAA and Aa1, respectively, 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 \$75,000.**

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 April 3, 2007, 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
\$7,380,000**

GENERAL OBLIGATION MUNICIPAL PURPOSE LOANS OF 2007 BONDS

The Town of Bedford, Massachusetts will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, March 14, 2007, for the purchase of the following described General Obligation Municipal Purpose Loan of 2007 Bonds of the Town (the "Bonds"):

\$7,380,000 General Obligation Municipal Purpose Loan of 2007 Bonds payable May 1 of the years and in the amounts as follows:

<u>Due May 1</u>	<u>Principal Amount</u>	<u>Due May 1</u>	<u>Principal Amount</u>
2008	\$ 465,000	2018	\$ 390,000 *
2009	460,000	2019	390,000 *
2010	460,000	2020	385,000 *
2011	460,000	2021	385,000 *
2012	460,000	2022	385,000 *
2013	460,000	2023	385,000 *
2014	460,000	2024	385,000 *
2015	450,000	2025	120,000 *
2016	390,000	2026	100,000 *
2017	390,000		

* Callable maturities may be combined into one or two term bonds as described herein.

The Bonds will be dated April 1, 2007. Principal of the Bonds will be payable on May 1 of the years in which the Bonds mature. Interest will be payable on November 1, 2007 and semi-annually thereafter on May 1 and November 1.

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 original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Bonds maturing on or prior to May 1, 2017 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after May 1, 2018 shall be subject to redemption prior to maturity, at the option of the Town, on or after May 1, 2017, 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.

If the successful bidder designates principal amounts of the Bonds to be combined into one or two Term Bonds (which may be done only for principal amounts in consecutive years and only for the years after 2017), each such Term Bond shall be subject to mandatory redemption commencing on May 1 of the first year which has been combined to form such Term Bonds and continuing on May 1 on each year thereafter until the stated maturity date of that 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 on page four of this Official Statement. 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 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.

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 will be considered.

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 April 1, 2007, 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 include a premium of at least \$75,000.** The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town of Bedford, Massachusetts.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Victor Garofalo, Treasurer, Town of Bedford, Massachusetts, c/o First Southwest Company, Municipal Advisory Group, 54 Canal Street, 2nd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bids 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, which will act as agent for the bidders submitting the final sealed bids, but neither the Town nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner or,
- (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 Ideal 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 the Board of Selectmen of the Town.

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

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, it 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 presented in Appendix B to the Preliminary Official Statement dated March 5, 2007, (b) a certificate in form satisfactory to said firm, 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 signer or signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds referred to below, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate substantially in the form presented in Appendix C of the Preliminary Official Statement to be dated as of the date of delivery of the Bonds and incorporated by reference in the Bonds.

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 March 14, 2007 (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.

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 therefore, 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 fees paid to Moody's Investors Service for the rating of the Bonds. Any such fees paid to Moody's Investors Service would be borne by the Town.

Additional information concerning the Town of Bedford and the Bonds is contained in the Preliminary Official Statement dated March 5, 2007, 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. The Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, any other terms of the Bonds depending on such matters, and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114 (telephone: 617-619-4400). Within seven business days following award of the Bonds and receipt of the necessary information from the successful bidder, at least 100 copies of the Final Official Statement will be available to the successful bidder. Upon request, additional copies will be provided to the successful bidder to a maximum of one per \$100,000 of par amount purchased.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code"). Accordingly, in the opinion of Bond Counsel, no deduction will be allowed to a financial institution for any of its interest expense allocable to the Bonds.

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, in definitive form, will be delivered to The Depository Trust Company, or its custodial agent, on or about April 3, 2007 against payment to the Town in federal reserve funds.

March 5, 2007

/s/ Mr. Victor Garofalo
Town Treasurer

OFFICIAL STATEMENT

TOWN OF BEDFORD, MASSACHUSETTS

\$7,380,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2007 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Bedford, Massachusetts in connection with the sale of \$7,380,000 aggregate principal amount of its General Obligation Municipal Purpose Loan of 2007 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 April 1, 2007 and will bear interest payable semiannually on May 1 and November 1, commencing November 1, 2007. The Bonds shall mature on May 1 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

Optional Redemption

Bonds maturing on or prior to May 1, 2017 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after May 1, 2018 shall be subject to redemption prior to maturity, at the option of the Town, on or after May 1, 2017, 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 redemption date.

Mandatory Redemption

If the successful bidder designates principal amounts of the Bonds to be combined into one or two Term Bonds (which may be done only for principal amounts in consecutive years and only for the years after 2017), each such Term Bond shall be subject to mandatory redemption commencing on May 1 of the first year which has been combined to form such Term Bonds and continuing on May 1 on each year thereafter until the stated maturity date of that 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 on page four of this Official Statement. 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 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 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 the fifteenth 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 Bond 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Town or the 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 Town or the 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 Town or the 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 Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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, Bond certificates will be printed and delivered.

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 table sets forth the principal amounts, purposes and statutory references for the current offering.

Principal Amount	Purpose	Date of Passage	Total Authorization	BANS Outstanding	MGL Chapter 44
\$ 2,250,000	High School Renovations - Design (1)	11/4/2004	\$ 2,385,000	\$2,385,000	Ch. 44, s.7
2,110,000	Town Center	4/1/2002	5,300,000	2,235,000	Ch. 44, s.7
1,780,000	Water Main	3/31/03 & 3/22/04	1,800,000	1,800,000	Ch. 44, s.8
448,000	Water Storage	3/22/2004	448,000	448,000	Ch. 44, s.8(7C)
400,000	Land Acquisition For Roadway Construction	3/25/2003	1,700,000	425,000	Ch. 44, s.7(3)
392,000	Town Hall Remodeling	11/8/2005	392,000	392,000	Ch. 44, s. 7(3A)
<u>\$ 7,380,000</u>					

(1) Exempt from the provisions of Proposition 2 ½.

Principal Maturities by Purpose

Fiscal Year	High School (1)	Town Center	Water Main	Water	Land Acq.	Town Hall	Total
2008	\$ 135,000	\$ 125,000	\$ 90,000	\$ 63,000	\$ 25,000	\$ 27,000	\$ 465,000
2009	135,000	125,000	90,000	60,000	25,000	25,000	460,000
2010	135,000	125,000	95,000	55,000	25,000	25,000	460,000
2011	135,000	125,000	95,000	55,000	25,000	25,000	460,000
2012	135,000	125,000	95,000	55,000	25,000	25,000	460,000
2013	135,000	125,000	95,000	55,000	25,000	25,000	460,000
2014	135,000	125,000	100,000	55,000	25,000	20,000	460,000
2015	135,000	125,000	95,000	50,000	25,000	20,000	450,000
2016	130,000	125,000	90,000	-	25,000	20,000	390,000
2017	130,000	125,000	90,000	-	25,000	20,000	390,000
2018	130,000	125,000	90,000	-	25,000	20,000	390,000
2019	130,000	125,000	90,000	-	25,000	20,000	390,000
2020	130,000	125,000	90,000	-	20,000	20,000	385,000
2021	130,000	125,000	90,000	-	20,000	20,000	385,000
2022	130,000	120,000	95,000	-	20,000	20,000	385,000
2023	130,000	120,000	95,000	-	20,000	20,000	385,000
2024	130,000	120,000	95,000	-	20,000	20,000	385,000
2025	-	-	100,000	-	-	20,000	120,000
2026	-	-	100,000	-	-	-	100,000
Total	<u>\$ 2,250,000</u>	<u>\$ 2,110,000</u>	<u>\$ 1,780,000</u>	<u>\$ 448,000</u>	<u>\$ 400,000</u>	<u>\$ 392,000</u>	<u>\$ 7,380,000</u>

(1) The Town has voted to exclude debt service on the project from the limitations 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, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

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 purchasers of the Bonds 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 has not opined as to the taxability of the Bonds or the income therefrom 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. Holders of the Bonds 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.

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 designed 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 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 any pending, proposed or future legislation, including amendments to the Code, if enacted into law, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective holders of the Bonds 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 holder of the Bonds. 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 holder or the holder's other items of income or deduction. Except as indicated in the following paragraph, Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the Bonds should consult with their own tax advisors with respect to such consequences.

The Bonds Will Not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel, 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 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.

Ratings

Standard and Poor's Ratings Group and Moody's Investors Service have assigned ratings of "AAA" and "Aa1" to the Bonds, respectively. Said ratings reflect only the rating agencies' respective views and are 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" below) and setoffs of state distributions as described below (see "Use of State Distributions to pay debt service" 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" 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 "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.

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.

Use of State Distributions to Pay Debt Service

Section 19A of Chapter 44 of the General Laws provides in part that, 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.

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, Chairman	Sheldon H. Moll	Elected/3 Years	2009
Selectman	Gordon Feltman	Elected/3 Years	2008
Selectman	Angelo Colao	Elected/3 Years	2007
Selectman	Mark Siegenthaler	Elected/3 Years	2008
Selectman	Catherine B. Cordes	Elected/3 Years	2007
Town Manager	Richard T. Reed	Appointed	Indefinite
Finance Director	Peter P. Naum	Appointed	Indefinite
Acting Town Accountant	Peter P. Naum	Appointed	Indefinite
Treasurer/Collector	Victor Garofalo	Appointed	Indefinite
Town Clerk	Doreen Tremblay	Appointed	Indefinite
Town Counsel	Michael C. Lehane	Appointed	2007

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	
	2002	2003	2004	2005	2006	2007	2008
Kindergarten	165	156	175	162	150	150	150
Grades 1-4	675	672	690	685	697	682	677
Grades 5-6	343	336	329	352	362	357	357
Grades 7-8	319	347	340	311	325	355	366
High School (9 - 12) (1)	722	719	726	761	756	766	776
Totals	<u>2,224</u>	<u>2,230</u>	<u>2,260</u>	<u>2,271</u>	<u>2,290</u>	<u>2,310</u>	<u>2,326</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			
	2005	2004	2003	2002
Construction	349	458	518	514
Manufacturing	2,946	1,331	1765	1,767
Trade, Transportation & Utilities	1,936	2,293	2250	2,001
Information	1,858	1,257	1459	1,949
Financial Activities	595	733	818	821
Professional and Business Services	5,196	7,727	7247	4,632
Education and Health Services	2,951	3,505	3486	6,480
Leisure and Hospitality	743	1,290	1212	1,253
Other Services	1,873	578	553	528
Total Employment	<u>18,447</u>	<u>19,172</u>	<u>19,308</u>	<u>19,945</u>
Number of Establishments	<u>624</u>	<u>1,302</u>	<u>1,277</u>	<u>1,253</u>
Average Weekly Wages	<u>\$ 1,490</u>	<u>\$ 1,283</u>	<u>\$ 1,266</u>	<u>\$ 1,241</u>
Total Wages	<u>\$ 1,428,805,413</u>	<u>\$ 1,309,311,650</u>	<u>\$ 1,295,987,625</u>	<u>\$ 1,312,327,611</u>

Largest Employers

<u>Name</u>	<u>Product/Function</u>	<u>Approximate No. of Employees</u>
Hanscom Field (USAF)	Residential and Development	5,500
Lincoln Lab	Electronics Research & Development	3,992
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
RSA Security	Data Security	500
Millipore	Fluid purification and analysis	465
Hologic	Manufacture of Medical Devices	400
Carlton Willard	Nursing Home; Assisted Living	325

Labor Force, Employment and Unemployment

Unemployment Rates

According to the Massachusetts Division of Employment and Training, in December 2006, the Town has a total labor force of 6,560, of which 6,323 were employed and 237, or 3.6%, were unemployed, as compared with 4.9% 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>
2005	6,498	3.7 %	4.8 %	5.1 %
2004	6,549	4.1	5.1	5.5
2003	6,731	5.2	5.8	6.0
2002	7,855	4.5	5.3	5.8
2001	6,773	3.5	3.7	4.8

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>
2006	569	\$65,188,499
2005	594	97,806,971
2004	553	43,515,125
2003	623	71,895,575
2002	670	42,184,205
2001	293	16,085,943

SOURCE: Report of the Building Inspector.

Development

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

On the residential side, the Planning Board approved 80 condominium housing units on Hartwell Road and 188 rental housing units on Middlesex Turnpike. The Planning Board also approved a 5 lot subdivision for single family homes at 98-102 Concord Road. The Zoning Board of Appeals approved a 14 unit affordable housing development at 447 Concord Road.

On the commercial side, the Planning Board approved a 64,000 square foot office building on Middlesex Turnpike. The Planning Board also approved 27,000 square feet of retail development on Middlesex Turnpike. A 15,374 square foot child care facility was approved on Concord Road by the Building Inspector after site plan review by the Planning Board. A 61,000 square foot sports center was approved by the Zoning Board of Appeals on Hartwell Road.

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

(1) Federal Census Bureau.

POPULATION TRENDS			
<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
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 "Property Tax Limitation" 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").

The following table illustrates the trend in the manner in which the tax levy was determined.

TAX LEVY COMPUTATION

	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Gross Amount to be Raised					
Appropriations (1)	\$65,281,589	\$62,213,715	\$56,454,354	\$55,240,960	\$52,348,396
Other Local Expenditures	426,138	917,945	509,378	549,743	589,323
State and County Charges	261,553	265,988	292,849	318,451	315,757
Overlay Reserve	921,765	909,148	796,670	635,561	806,658
Total Gross Amount to be Raised	66,891,045	64,306,796	58,053,251	56,744,715	54,060,134
Less Estimated Receipts & Other Revenue					
Estimated Receipts from State (2)	6,329,108	5,648,073	4,494,620	4,337,599	5,171,869
Estimated Receipts-Local (3)	11,928,308	12,050,813	8,888,877	8,994,343	9,472,244
Available Funds Appropriated:					
Free Cash	300,000	0	933,078	207,050	226,235
Other Available Funds (4)	5,495,360	6,258,590	4,489,518	5,848,479	4,760,261
Free Cash & Other Revenue Used to Reduce the Tax Rate	2,422,959	1,450,000	2,351,000	1,790,000	1,937,000
Total Estimated Receipts & Revenues	26,475,735	25,407,476	21,157,093	21,177,471	21,567,609
Net Amount to be Raised (Tax Levy)	\$40,415,310	\$38,899,320	\$36,896,158	\$35,567,244	\$32,492,525

- (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.
- (3) Includes Community Preservation Act revenues.
- (3) 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. 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>
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
2004	2,294,035,000	65,833,400	2,359,868,400	35,567,244	2,824
2003	2,212,313,900	50,403,300	2,262,717,200	32,492,525	2,580

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

The following is a breakdown of the Town's assessed valuations in fiscal years 2007, 2006 and 2005.

<u>Property Type</u>	<u>2007</u>		<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Residential	\$2,162,403,691	77.3 %	\$2,059,705,099	77.4 %	\$ 1,936,149,470	76.2 %
Open Space	5,381,800	0.2	5,381,800	0.2	5,998,900	0.2
Commercial	354,199,909	12.7	335,913,501	12.6	328,604,530	12.9
Industrial	211,299,100	7.5	194,761,600	7.3	207,834,400	8.2
Personal	65,929,100	2.4	64,409,670	2.4	61,502,700	2.4
Total	\$2,799,213,600	100.0 %	\$2,660,171,670	100.0 %	2,540,090,000	100.0 %

LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal 2007. All of the properties listed are current in their tax payments.

Name	Nature of Business	Assessed Valuation
Mariner Bedford Woods, Inc.	Offices	\$ 54,258,700
BP-Crosby Corporate Center, LLC	Offices	31,762,300
Millipore Filter Corporation	Research & Development	30,915,400
EOP Crosby Corporate Center, LLC	Offices	29,477,300
Bedford Business Park Limited Partnership	Offices	27,371,500
Technoford LLC	Offices	26,625,300
Bone (DE) QRS 15-12 Inc.	Offices	24,312,200
C. Gerard Drucker, Trustee	Retail	16,383,000
Progress Software Corporation	Research & Development	14,767,400
Renaissance Bedford Hotel LL	Hotel	15,285,300
Totals		<u>\$ 271,158,400</u>

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.

<u>January 1,</u>	<u>State Equalized Valuation</u>	<u>% Change</u>
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
1996	1,293,047,700	2.56

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 current and last five fiscal years and actual abatements and refunds granted against each levy.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through January 31, 2007
		Dollar Amount	As a % of Net Levy	
2007	\$39,493,547	\$921,765	2.3 %	\$188,217
2006	37,990,172	909,148	2.4	243,972
2005	36,099,488	796,670	2.2	118,217
2004	34,931,683	635,561	1.8	262,280
2003	31,685,867	806,658	2.5	100,224
2002	29,933,696	1,332,742	4.5	552,978

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

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's strong collection rates have precluded the need for any such sales.

Tax Collections

Beginning in fiscal 1991, the Town instituted 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 current and last five fiscal years.

Fiscal Year	Gross Tax Levy (4)	Overlay Reserve for Abatements	Net Tax Levy (1)	Collections During Fiscal Year Payable (2)		Collections as of January 31, 2007 (2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2007	\$ 40,415,312	\$ 921,765	\$ 39,493,547	\$ 27,863,514	70.6 %	\$ 27,863,514	70.6 % (3)
2006	38,980,320	990,148	37,990,172	38,068,727	100.2	38,525,994	101.4
2005	36,896,158	796,670	36,099,488	36,462,845	101.0	36,642,045	101.5
2004	35,567,244	635,561	34,931,683	35,062,337	100.4	35,236,277	100.9
2003	32,492,525	806,658	31,685,867	32,019,624	101.1	32,276,687	101.9
2002	31,266,438	1,332,742	29,933,696	30,868,852	103.1	30,890,039	103.2

(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.

(3) Represents collections of three of four quarterly billings. Collections are comparable to prior year collections as of this date.

(4) Exclusive of property tax levied under the Community Preservation Act.

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>
2007 (1)	\$370,086
2006	331,338
2005	388,576
2004	438,610
2003	314,356

(1) Estimate

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.

Property Tax Limitation

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".

The statute 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 1/2 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 1/2 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 1/2 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 1/2 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 1/2 since its inception. Under the law as now written, the current and future levies may increase by up to 2 1/2% 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.

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

The table below presents the Town's primary levy limits, its maximum levy limits, and its actual tax levies for fiscal years 2003 through 2007.

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
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
2004	2,359,868,400	58,996,710	36,661,147	35,567,244	23,429,466	1,093,903
2003	2,262,717,200	56,567,930	33,558,805	32,492,525	24,075,405	1,066,280

(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>
2007 (1)	\$ 700,362		\$ 700,362
2006	958,805	\$ 965,106	1,923,911
2005	915,465	918,041	1,833,506
2004	867,505	870,283	1,737,788
2003	799,589	801,952	1,601,541

(1) As of March 1, 2007. Represents collections on three of four quarterly billings.

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).

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

	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>	<u>Fiscal 2003</u>
General Government:	\$9,917,757	\$8,556,769	\$8,095,129	\$7,694,305	\$7,177,799
Public Safety	4,641,519	4,802,025	4,647,575	4,793,018	4,410,701
Highway	8,535,510	7,812,008	5,866,984	5,804,923	6,072,003
Facilities	700,991	651,667	590,382	726,854	792,558
Health	452,865	484,694	471,830	468,616	445,760
Human Services	524,385	505,425	513,932	507,860	496,144
School	27,038,731	25,753,879	24,673,640	23,962,924	22,711,337
Library	1,038,686	986,091	959,556	942,136	920,832
Other	142,686	124,304	144,721	147,730	146,028
Maturing Debt and Interest	7,189,653	6,589,611	6,147,507	6,280,955	4,875,342
Other Financing Uses	-	-	-	-	110,000
Total	<u>\$60,182,783</u>	<u>\$56,266,473</u>	<u>\$52,111,256</u>	<u>\$51,329,321</u>	<u>\$48,158,504</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" herein. In fiscal 2006, property taxes collected totaled \$38,525,994.

Federal Aid:

The following is a list of federal monies received by the Town in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Total Federal Aid</u>
2007 (est.)	\$ 265,000
2006	323,000
2005	348,000
2004	240,000
2003	298,372
2002	442,656

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. None of the major local aid programs has a termination date under existing law, 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 a projected amount for fiscal year 2007.

<u>Fiscal Year</u>	<u>Total State Aid (1)</u>
2007 (projected)	\$ 4,486,274
2006	4,147,000
2005	4,494,620
2004	4,336,464
2003	4,519,452
2002	5,134,121
2001	4,214,727

(1) Includes estimated school building assistance.

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. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. 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.

Grant applications for new projects may not be submitted to the Authority until 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 recently promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such 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 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 based on a statewide average of property tax rates, but not exceeding \$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 2006 was \$1,588,000 and \$1,600,000 is projected for fiscal 2007.

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>
2007 (est.)	\$ 350,000
2006	348,691
2005	301,000
2004	290,124
2003	365,723

Investment of Town Funds

All funds of the Town, except for trust funds and funds of the 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, 2006 by Powers & Sullivan, PC, Certified Public Accounts, of Wakefield, Massachusetts. The audit for fiscal year ended June 30, 2006 is attached hereto as Appendix A.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2006 and June 30, 2005 and a Combined Balance Sheet – General Fund for fiscal year ended June 30, 2004, and Statements of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds for the fiscal years ended June 30, 2003 through June 30, 2006. 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, 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>
ASSETS					
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	-				-
TOTAL ASSETS	<u>\$ 37,109,784</u>	<u>\$ 5,925,771</u>	<u>\$ 1,948,601</u>	<u>\$ 22,632,490</u>	<u>\$ 67,616,646</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 884,812	\$ -	\$ 351,494	\$ 182,966	\$ 1,419,272
Accrued payroll	1,129,691				1,129,691
Health claims payable	61,000				61,000
Tax refunds payable	1,019,000				1,019,000
Accrued interest on short-term debt	403,200				403,200
Liabilities due depositors	824,587				824,587
Other liabilities	794,182			11,401	805,583
Deferred revenues	21,643,579	5,675,078		2,301,632	29,620,289
Notes payable	-	5,925,771	7,685,000	-	13,610,771
TOTAL LIABILITIES	26,760,051	11,600,849	8,036,494	2,495,999	48,893,393
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	1,916,370				1,916,370
Perpetual permanent funds				433,499	433,499
Unreserved:					
Designated for 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
TOTAL FUND BALANCES	<u>10,349,733</u>	<u>(5,675,078)</u>	<u>(6,087,893)</u>	<u>20,136,491</u>	<u>18,723,253</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,109,784</u>	<u>\$ 5,925,771</u>	<u>\$ 1,948,601</u>	<u>\$ 22,632,490</u>	<u>\$ 67,616,646</u>

(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>
ASSETS					
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> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 44,496,387</u>	<u>\$ 423,248</u>	<u>\$ 4,114,501</u>	<u>\$ 20,196,541</u>	<u>\$ 69,230,677</u>
LIABILITIES AND FUND BALANCES					
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> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	33,532,102	5,925,771	4,880,744	3,790,425	48,129,042
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> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>10,964,285</u>	<u>(5,502,523)</u>	<u>(766,243)</u>	<u>16,406,116</u>	<u>21,101,635</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 44,496,387</u>	<u>\$ 423,248</u>	<u>\$ 4,114,501</u>	<u>\$ 20,196,541</u>	<u>\$ 69,230,677</u>

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

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

JUNE 30, 2004 (1)

ASSETS	<u>General</u>	<u>Glen Middle School</u>	<u>Town Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 12,433,219	\$ 637,774	\$ 6,118,911	\$ 13,606,623	\$ 32,796,527
Investments	604,402			4,632,693	5,237,095
Receivables, net of uncollectibles:					
Real estate and personal property taxes	305,291				305,291
Tax liens	479,325				479,325
Motor vehicle excise taxes	163,734				163,734
User fees	420,533			963,385	1,383,918
Departmental and other	38,569			32,980	71,549
Intergovernmental	22,409,000			891,062	23,300,062
Tax foreclosures	53,769				53,769
Investment in joint venture	1,746,813				1,746,813
TOTAL ASSETS	<u>\$ 38,654,655</u>	<u>\$ 637,774</u>	<u>\$ 6,118,911</u>	<u>\$ 20,126,743</u>	<u>\$ 65,538,083</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 1,654,105	\$ -	\$ 887,175	\$ 389,671	\$ 2,930,951
Tax refunds payable	800,000				800,000
Other liabilities	569,377				569,377
Deferred revenues	23,737,791			1,872,152	25,609,943
Notes payable		5,925,771	8,025,000	1,600,000	15,550,771
TOTAL LIABILITIES	26,761,273	5,925,771	8,912,175	3,861,823	45,461,042
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	4,075,621				4,075,621
Perpetual permanent funds				357,421	357,421
Unreserved:					
Designated for investment joint venture	1,746,813				1,746,813
Designated for subsequent year's expenditures	2,351,000				2,351,000
Undesignated, reported in:					
General fund	3,719,948				3,719,948
Special revenue funds				15,618,928	15,618,928
Capital projects funds		(5,287,997)	(2,793,264)		(8,081,261)
Permanent funds				288,571	288,571
TOTAL FUND BALANCES	<u>11,893,382</u>	<u>(5,287,997)</u>	<u>(2,793,264)</u>	<u>16,264,920</u>	<u>20,077,041</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,654,655</u>	<u>\$ 637,774</u>	<u>\$ 6,118,911</u>	<u>\$ 20,126,743</u>	<u>\$ 65,538,083</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>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Real estate and personal property taxes, net of tax refunds	\$ 38,852,987	\$ 36,338,335	\$ 34,846,274	\$ 31,843,800
Motor vehicle and other excise taxes	2,033,162	2,087,997	1,841,960	2,046,311
Charges for services	2,250,192	1,755,299	1,348,371	1,811,713
Penalties and interest on taxes	149,003	202,590	86,601	96,513
Payments in lieu of taxes	1,158,303	1,120,149	1,086,718	1,074,375
Intergovernmental	9,643,490	8,914,322	7,894,873	8,050,842
Departmental and other	2,994,879	2,432,901	1,725,060	1,744,695
Investment Income	1,275,210	746,454	698,359	728,418
Total Revenues	<u>58,357,226</u>	<u>53,598,047</u>	<u>49,528,216</u>	<u>47,396,667</u>
Expenditures:				
Current:				
General government	2,754,163	2,754,384	2,615,300	2,793,793
Public safety	5,074,875	4,769,398	4,796,666	4,542,854
Education	25,794,009	24,857,689	23,492,519	22,292,164
Public works	4,756,489	4,575,131	4,927,386	4,733,229
Water	1,376,498	1,030,314	1,043,454	938,338
Sewer	487,537	457,225	363,749	396,484
MWRA assessment	2,379,363	2,357,318	2,290,688	2,275,937
Human services	874,599	826,154	821,679	790,792
Culture and recreation	1,127,128	1,098,065	1,071,043	1,056,670
Pension benefits	6,035,074	5,686,185	5,114,360	4,708,279
Employee benefits	4,903,974	4,662,763	3,354,934	2,883,945
Other	104,283	99,923	135,735	140,996
State and county charges	245,823	268,898	273,892	315,717
Debt service:				
Principal	3,840,911	3,831,051	3,944,051	2,871,048
Interest	2,362,202	2,473,221	2,074,512	1,753,230
Total Expenditures	<u>62,116,928</u>	<u>59,747,719</u>	<u>56,319,968</u>	<u>52,493,476</u>
Excess (Deficiency) of revenues over expenditures	(3,759,702)	(6,149,672)	(6,791,752)	(5,096,809)
Other Financing Sources (Uses):				
Operating transfers in	5,213,150	5,220,575	4,965,850	4,141,000
Operating transfers out	(2,068,000)	-	(121,081)	(110,000)
Total Other Financing Sources (Uses)	<u>3,145,150</u>	<u>5,220,575</u>	<u>4,844,769</u>	<u>4,031,000</u>
Net change in fund balances	(614,552)	(929,097)	(1,946,983)	(1,065,809)
Fund Balances, at Beginning of Year	<u>10,964,285</u>	<u>11,893,382</u>	<u>13,840,365</u>	<u>14,906,174</u>
Fund Balances, at End of Year	<u>\$ 10,349,733</u>	<u>\$ 10,964,285</u>	<u>11,893,382</u>	<u>\$ 13,840,365</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)	Certified Free Cash (July 1)
2006	\$ 6,010,404	\$ 5,108,469
2005	3,371,531	4,222,959
2004	3,719,948	2,064,091
2003	5,637,467	4,553,441
2002	6,099,001	3,478,720

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 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
2007 (1)	\$ 2,987,528
2006	3,365,688
2005	3,250,110
2004	3,202,705
2003	3,928,636
2002	3,840,461

(1) Stabilization Fund Balance as of January 1, 2007.

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 "Property Tax Limitation" 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 the town meeting members present or voting at an annual or special town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. 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 of Bedford 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 TAX" 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 Public Utilities.

**DIRECT DEBT SUMMARY
As of June 30, 2006
(Including Subsequent Issues)**

Long-Term Debt (1)(2)		
Within Debt Limit:		
Sewers & Drains	\$ 52,433	
Land Acquisition	3,202,000	
Schools	29,863,000	
Other Building	11,738,666	
Departmental Equipment	150,000	
Architectural & Engineering Services	452,774	
Athletic & Recreational Facilities	900,000	
Other Building	120,000	
Total Inside		<u>\$ 46,478,873</u>
Outside Debt Limit		
Water	<u>\$ 784,139</u>	
Total Outside		<u>\$ 784,139</u>
Total Long Term Debt		<u>\$ 47,263,012</u>
This Issue of Bonds	<u>\$ 7,380,000</u>	
Total Long Term Debt after this Issue		<u>\$ 54,643,012</u>
Short Term Debt		
Bond Anticipation Notes (3)	\$ 27,685,000	
To be retired with the Bonds and Revenue Funds	<u>(7,685,000)</u>	
Total Direct Debt		<u><u>\$ 74,643,012</u></u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) \$19,940,000 has been exempted from the limits of Proposition 2 ½.
- (3) \$7,685,000 is payable May 24, 2007 and will be retired with \$305,000 revenue funds and the proceeds of this issue of Bonds. \$20,000,000 is payable July 27, 2007.

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 of Bedford 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
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
2004	42,571,241	12,595	2,270,729,600	3,380	1.87
2003	28,218,342	12,595	2,270,729,600	2,240	1.24
2002	30,363,290	12,595	1,794,674,400	2,411	1.69

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the outstanding debt of the Town of Bedford as of June 30, 2006 (Including Subsequent Issues).

**GENERAL OBLIGATION BONDS
PRINCIPAL PAYMENTS BY PURPOSE
As of June 30, 2006
(Including Subsequent Issues)**

Fiscal Year	Sewer	Land Acquisition	Schools	Other Building	Departmental Equipment	Architect & Engineering	Athletic & Recreation	Water	General	Total Outstanding
2007	\$ 52,433	\$ 224,500	\$ 2,155,500	\$ 1,124,778	\$ 75,000	\$ 47,082	\$ 300,000	\$ 63,618	\$ 25,000	\$ 4,067,911
2008	-	224,500	2,155,500	922,778	75,000	47,082	300,000	101,861	25,000	3,851,721
2009	-	223,500	2,151,500	922,778	-	47,082	300,000	101,861	25,000	3,771,721
2010	-	218,500	2,021,500	907,778	-	47,082	-	101,861	25,000	3,321,721
2011	-	218,500	2,021,500	907,778	-	22,222	-	101,861	20,000	3,291,861
2012	-	218,500	2,016,500	597,778	-	22,222	-	101,861	-	2,956,861
2013	-	218,500	2,011,500	567,778	-	22,222	-	58,243	-	2,878,243
2014	-	218,500	2,006,500	567,778	-	22,222	-	38,243	-	2,853,243
2015	-	213,500	2,006,500	567,778	-	22,222	-	38,243	-	2,848,243
2016	-	213,500	2,006,500	567,778	-	22,222	-	38,243	-	2,848,243
2017	-	160,000	2,005,000	567,778	-	22,222	-	38,243	-	2,793,243
2018	-	160,000	2,005,000	567,778	-	22,222	-	-	-	2,755,000
2019	-	160,000	1,280,000	567,778	-	22,222	-	-	-	2,030,000
2020	-	160,000	1,280,000	562,778	-	22,222	-	-	-	2,025,000
2021	-	160,000	1,280,000	562,778	-	22,222	-	-	-	2,025,000
2022	-	70,000	730,000	559,996	-	20,004	-	-	-	1,380,000
2023	-	70,000	730,000	410,000	-	-	-	-	-	1,210,000
2024	-	70,000	-	285,000	-	-	-	-	-	355,000
	<u>\$ 52,433</u>	<u>\$ 3,202,000</u>	<u>\$ 29,863,000</u>	<u>\$ 11,738,666</u>	<u>\$ 150,000</u>	<u>\$ 452,774</u>	<u>\$ 900,000</u>	<u>\$ 784,139</u>	<u>\$ 120,000</u>	<u>\$ 47,263,012</u>

Debt Service Requirements as of June 30, 2006 (Including Subsequent Issues)

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

Fiscal Year	Outstanding (1)		This Issue (2)		SBA Subsidy	Total Net Debt Service	Cumulative % Retired
	Principal	Interest	Principal	Interest			
2007	\$ 4,067,911	\$ 1,919,541	\$ -	\$ -	\$ (1,253,780)	\$ 4,733,672	7.4
2008	3,851,721	1,768,007	465,000	335,454	(1,188,260)	5,231,923	15.3
2009	3,771,721	1,621,593	460,000	284,075	(1,188,260)	4,949,129	23.1
2010	3,321,721	1,492,146	460,000	258,775	(1,188,260)	4,344,383	30.0
2011	3,291,861	1,369,758	460,000	239,800	(1,188,260)	4,173,159	36.9
2012	2,956,861	1,246,779	460,000	221,400	(1,188,260)	3,696,780	43.1
2013	2,878,243	1,127,116	460,000	203,000	(1,188,260)	3,480,100	49.2
2014	2,853,243	1,005,018	460,000	184,600	(1,188,260)	3,314,601	55.3
2015	2,848,243	882,670	450,000	166,200	(1,188,260)	3,158,854	61.3
2016	2,848,243	760,395	390,000	148,200	(1,188,260)	2,958,579	67.3
2017	2,793,243	635,969	390,000	132,600	(1,188,260)	2,763,553	73.1
2018	2,755,000	511,848	390,000	117,000	(1,188,260)	2,585,588	78.8
2019	2,030,000	385,488	390,000	101,400	(1,188,260)	1,718,628	83.3
2020	2,025,000	293,300	385,000	85,800	(1,188,260)	1,600,841	87.7
2021	2,025,000	199,694	385,000	70,400	(1,188,260)	1,491,834	92.1
2022	1,380,000	120,869	385,000	55,000	-	1,940,869	95.3
2023	1,210,000	58,919	385,000	39,600	-	1,693,519	98.2
2024	355,000	7,322	385,000	24,200	-	771,522	99.6
2025	-	-	120,000	8,800	-	128,800	99.8
2026	-	-	100,000	4,000	-	104,000	100.0
	<u>\$ 47,263,012</u>	<u>\$ 15,406,429</u>	<u>\$ 7,380,000</u>	<u>\$ 2,680,304</u>	<u>\$ (17,889,413)</u>	<u>\$ 54,840,333</u>	

(1) \$19,940,000 principal and associated interest has been exempted from the limits of Proposition 2 ½.

(2) \$2,250,000 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 and anticipated pay downs from revenue funds, the Town will have \$48,877,090 of authorized unissued debt for the following purposes:

Water	\$ 50,000
Water	10,000
Sewer Planning	122,760
Bedford High School (1)	48,135,330
Fire Rescue/Pumper	410,000
Middlesex Turnpike	145,000
Land Acquisition	4,000
Total	<u>\$ 48,877,090</u>

(1) The Town voted to exempt debt service on the High School project from the limitations of Proposition 2 ½. The Town plans to apply for a grant for the project from the Massachusetts School Building Authority in 2007.

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 2006 dollar assessment for each:

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

Entity	Bonds Outstanding 6/30/06	Bedford's Estimated Share	Fiscal 2007 Assessments for Operations and Debt Service
Massachusetts Water Resources Authority (1) Sewer	\$ 3,584,248,000	0.670 %	\$2,565,613
Massachusetts Bay Transportation Authority (2)	5,142,645,000	0.002	\$242,723
Shawsheen Valley Regional Vocational Technical School District (3)	1,080,000	10.00	\$528,475

(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. 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. During fiscal year 2006, the fee to dispose of a ton of refuse was \$64 and in fiscal year 2007, the fee becomes \$68 per ton. 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 Town has budgeted \$340,000 for tip fees to Wheelabrator North Andover, Inc.

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 \$581,225.

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 is through June 30, 2007. 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 (Chapter 32, Section 1-28) 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, to 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 current and last five fiscal years are as follows:

	Retirement System Contribution
June 30, 2007 (Budgeted)	\$ 2,162,000
June 30, 2006	1,927,370
June 30, 2005	1,669,361
June 30, 2004	1,515,896
June 30, 2003	1,172,438
June 30, 2002	1,035,111

As of January 1, 2006, Bedford's share of the total estimated past service liability of the system was \$47,977,905 and its assets were \$21,849,944, leaving an estimated unfunded actuarial liability was \$26,127,961.

The Town established a Pension Retirement Account to address the issue of unfunded liability. The balance in the fund was \$1,842,020 as of January 31, 2007, \$2,104,291 as of May 31, 2006; \$1,208,973 as of June 30, 2005, and \$1,071,707 as of June 30, 2004.

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 January 31, 2007 was \$121,433.

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. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability 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 \$1,485,976 as of January 31, 2007, \$1,249,055 as of May 31, 2006; \$2,346,428 as of June 30, 2005, and \$2,335,737 as of June 30, 2004. In October, 2005 (FY 2006) the Town updated its actuarial study for both past service liability and post retirement benefits liability. At the 2006 Annual Town Meeting the Town appropriated \$228,000 towards its 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 65% 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	6/30/2008
Bedford Permanent Firefighters	Fire	26	6/30/2007
Bedford Public Health Nurses	Public Health	5	6/30/2009
American Federation of State, County and Municipal Employees	Public Works	27	6/30/2007
Bedford Education Association	School	230	6/30/2008
Bedford Custodian Association	School	29	6/30/2009
Bedford Aides' Association	School	25	6/30/2008
Bedford School Secretaries Association	School	17	6/30/2009
Bedford School Cafeteria Employees	School	20	6/30/2009
Bedford Teaching Assistants	School	47	6/30/2008
Bedford Emergency Communication Officers	Police	10	6/30/2008
Bedford Police Supervisors Association	Police	9	6/30/2007
		463	

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
/s/ Mr. Victor Garofalo
Town Treasurer

March 14, 2007

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TOWN OF BEDFORD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



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

Prepared by Finance Department

On the cover:

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



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

TOWN OF BEDFORD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2006



Prepared by:
Finance Department

TOWN OF BEDFORD, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006

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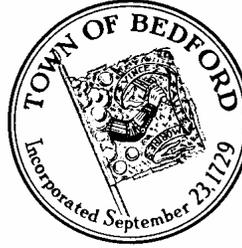
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Introductory Section

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



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



FINANCE DEPARTMENT

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Letter of Transmittal

October 11, 2006

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

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

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

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

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

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

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

Profile of the Town

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

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

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

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

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

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

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

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

Factors Affecting Economic Condition

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

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

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

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

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

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

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

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

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

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

Awards and Acknowledgements

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

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

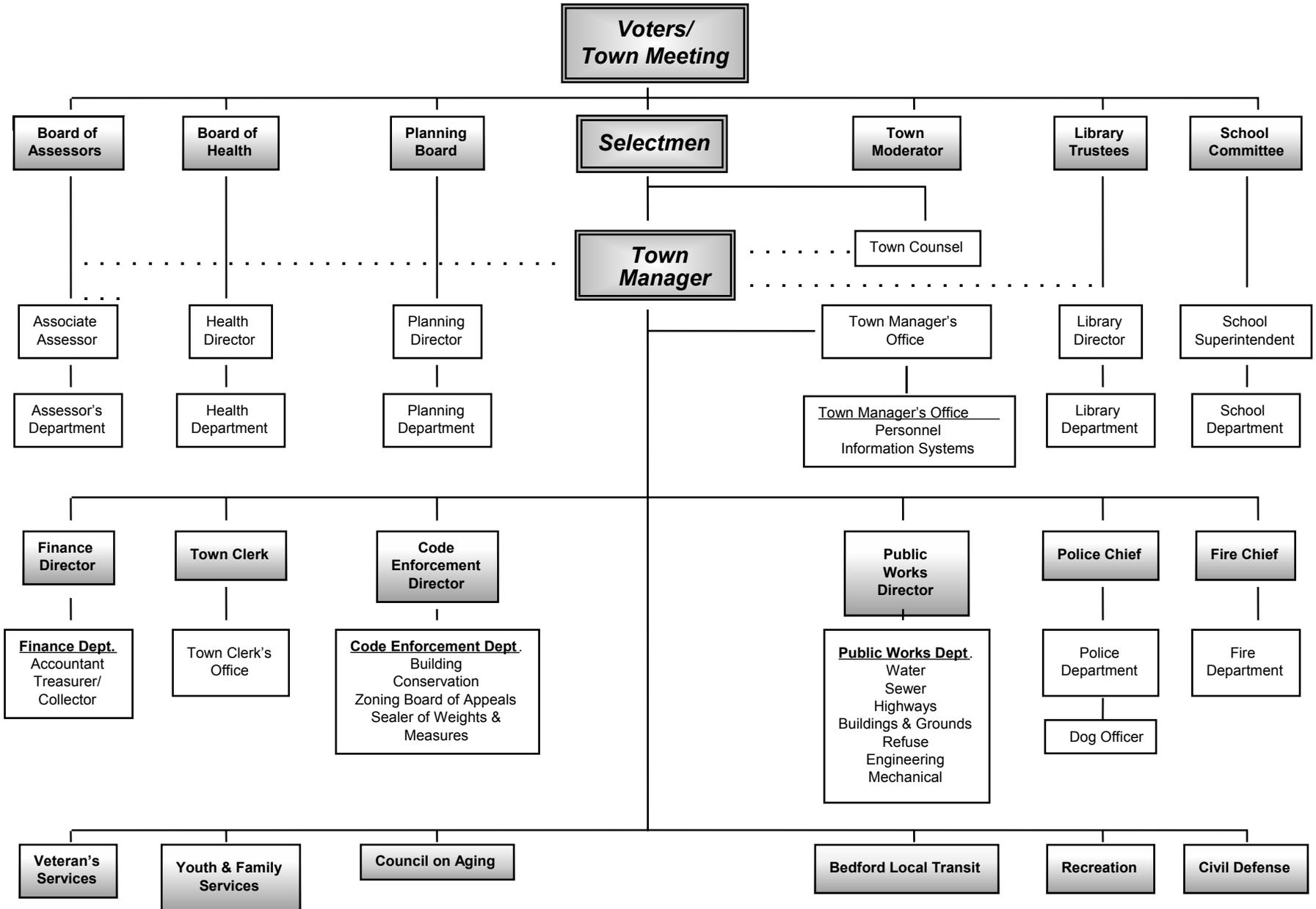
The preparation of this report would not have been possible without the efficient and dedicated services of the Town Accountant, the Treasurer/Collector and the rest of the staff of the Finance Department. We would like to also express our appreciation to all the members of the departments who assisted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

Respectfully submitted,



Peter Naum
Finance Director

Town of Bedford Organization Chart



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

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Bedford
Massachusetts

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

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



Carla E. Fudge

President

Jeffrey R. Emmer

Executive Director

Financial Section

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



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



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Independent Auditors' Report

To the Honorable Selectmen
Town of Bedford, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bedford, Massachusetts, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bedford, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bedford, Massachusetts, as of June 30, 2006, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

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

September 29, 2006

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements report functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, education, public works, water, sewer, human services, culture and recreation, interest, and other.

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

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

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

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

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

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

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

Entity-wide Financial Analysis

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

Net assets of \$95.7 million (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the net assets \$7.5 million (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$25.1 million (20%) may be used to meet the government’s ongoing obligations to citizens and creditors.

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

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

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

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

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

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$18.7 million, a decrease of \$2.4 million from prior year. The reasons for this decrease are described below.

The **General Fund** is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund and undesignated balance of the general fund was \$6.0 million, while total fund balance was \$10.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 10% of total general fund expenditures, while total fund balance represents 17% of that same amount.

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

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

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

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

Financial Summary

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

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

General Fund Budgetary Highlights

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

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

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

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

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

Capital Asset and Debt Administration

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

The Town defines capital projects using the following guidelines:

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

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

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

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

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

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

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Bedford's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 10 Mudge Way, Bedford, Massachusetts 01730.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2006

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

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

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

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

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

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2006

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

See notes to basic financial statements.

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

JUNE 30, 2006

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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2006

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

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds.....	\$	(2,378,382)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	4,616,952	
Depreciation expense.....	<u>(5,087,808)</u>	
Net effect of reporting capital assets.....		(470,856)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(895,159)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....	(900,000)	
Debt service principal payments.....	<u>3,840,911</u>	
Net effect of reporting long-term debt.....		2,940,911
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(122,000)	
Net change in accrued interest on long-term debt.....	<u>(175,900)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(297,900)</u>
Change in net assets of governmental activities.....	\$	<u><u>(1,101,386)</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

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

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

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

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation that is governed by five elected Selectmen and an appointed Town Manager. For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

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

B. Jointly Governed Organizations

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

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

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Governmental activities are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

E. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Deferred Revenue

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

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

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

Net assets have been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

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

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

Fund balances have been “designated for” the following:

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

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

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

Governmental Fund Financial Statements

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

N. Investment Income

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

O. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2006, this expenditure totaled approximately \$821,000. There were 269 participants eligible to receive benefits at June 30, 2006.

Q. Individual Fund Deficits

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

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

S. Total Column*Fund Financial Statements*

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk - Deposits

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

Investments

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

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

Custodial Credit Risk – Investments

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 3 - RECEIVABLES

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

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

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

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

NOTE 4 - CAPITAL ASSETS

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

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

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

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

NOTE 5 - INTERFUND TRANSFERS

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

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

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

NOTE 6 - SHORT-TERM FINANCING

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

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

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

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

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

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

NOTE 7 - LONG-TERM DEBT

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

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

Bonds and Notes Payable Schedule – Governmental Funds

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

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

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

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

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

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

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

Changes in Long-term Liabilities

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

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

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

NOTE 8 - SPECIAL REVENUE RESERVE

Stabilization Fund

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

Pension Fund

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

Post Retirement Benefits

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

NOTE 9 - RISK FINANCING

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

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

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

NOTE 10 - PENSION PLAN

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

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Middlesex Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, Massachusetts, 01865.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal years ended June 30, 2006, 2005, and 2004 were approximately \$1,669,000, \$1,516,000, and \$1,387,000, respectively, which equaled its required contribution for each fiscal year.

NOTE 11 - COMMITMENTS

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

NOTE 12 - CONTINGENCIES

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

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2006, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2006.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

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

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

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

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

Other Future GASB Pronouncements:

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

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

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Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2006

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

See notes to required supplementary information.

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

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

B. Budgetary - GAAP Reconciliation

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

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

C. Excess of Expenditures Over Appropriations

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

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Combining Statements



Nonmajor Governmental Fund

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Permanent Funds

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

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

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

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**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2006

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

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

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2006

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

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NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2006

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

(Continued)

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

(Continued)

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

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

(Concluded)

Agency Fund

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

AGENCY FUND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2006

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

Statistical Section

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



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

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Assets By Component

Last Four Fiscal Years

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

Changes in Net Assets

Last Four Fiscal Years

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

Fund Balances, Governmental Funds

Last Ten Fiscal Years

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

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

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

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

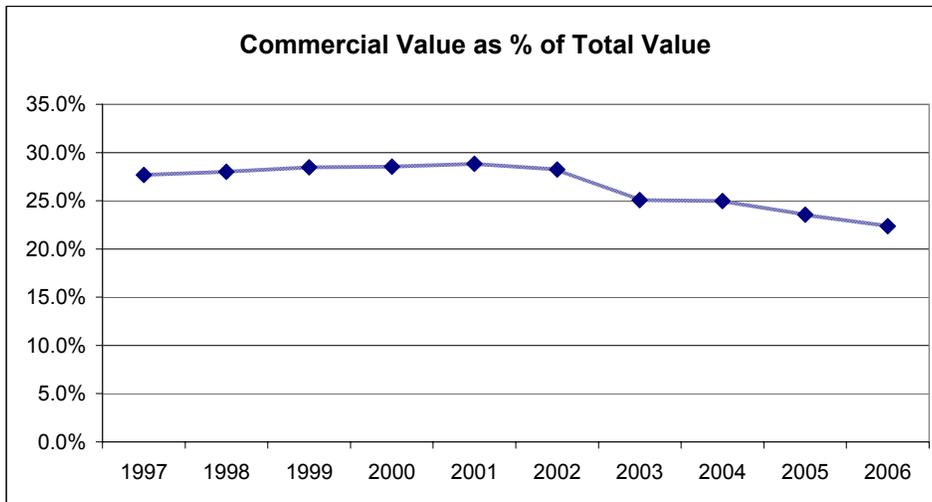
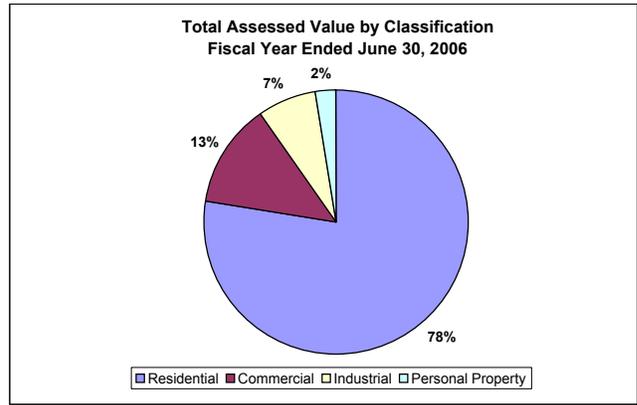
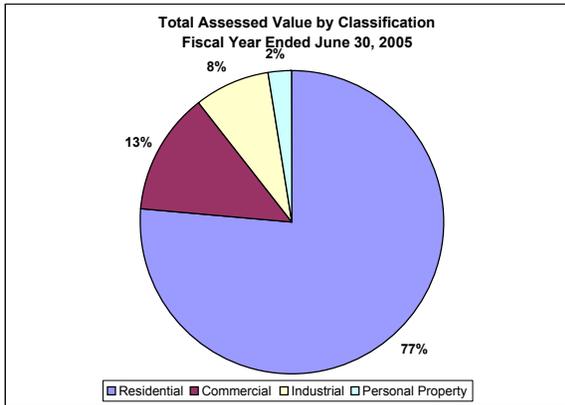
Notes:

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

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

Last Ten Fiscal Years

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



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

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

Principal Taxpayers
Current Year and Nine Years Ago

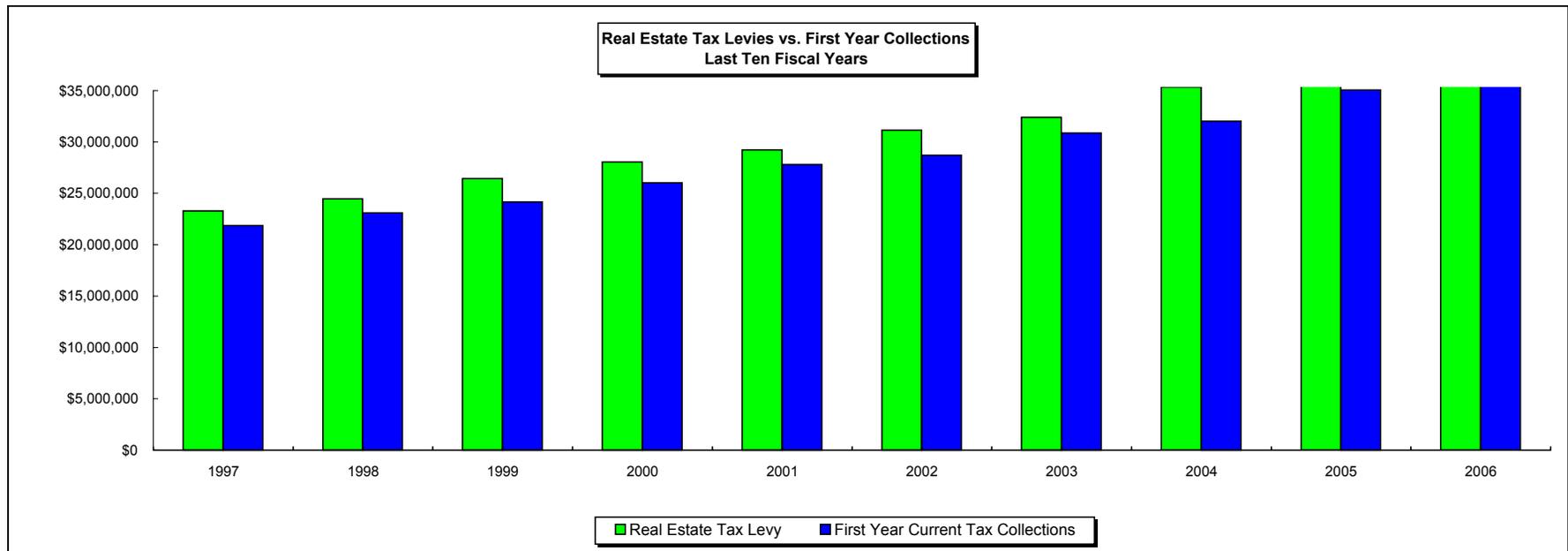
Name	Nature of Business	2006			*1997		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
BP-CROSBY CORP CTR LLC	OFFICE	\$ 31,762,300	1	2.09%			
EOP-CROSBY CORP CTR LLC	OFFICE	\$ 29,477,300	2	1.89%			
BEDFORD BUSINESS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

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

Property Tax Levies and Collections

Last Ten Fiscal Years

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



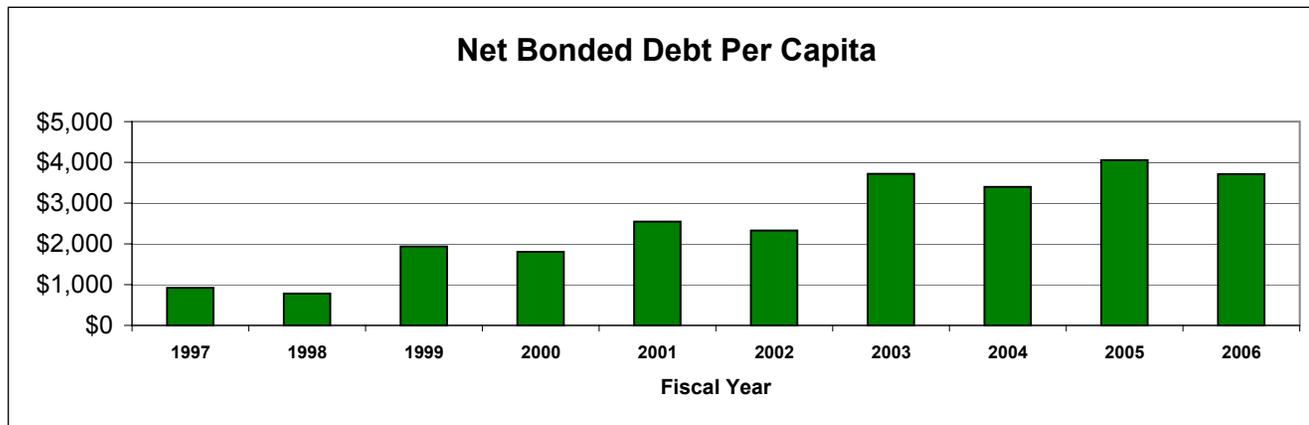
Source: Town of Bedford, Assessor's Department

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Fiscal Years

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

Source: Audited Financial Statements, U. S. Census



Source: Audited Financial Statements, U. S. Census

Computation of Legal Debt Margin

Last Ten Fiscal Years

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

Source: Audited financial Statements and Town Statement of Indebtedness

Demographic and Economic Statistics

Last Ten Fiscal Years

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

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

Principal Employers (excluding Town)

Current Year and Nine Years Ago

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

Source: Massachusetts Department of Employment and Training

*Only top 9 available

** Actual numbers from Fiscal 1996

Full-time Equivalent Town Employees by Function

Last Six Fiscal Years

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

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

Operating Indicators by Function/Program

Last Ten Fiscal Years

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

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

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

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

Source: Various Town Departments

EDWARDS ANGELL PALMER & 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

\$7,380,000
Town of Bedford, Massachusetts
Municipal Purpose Loan of 2007 Bonds
Dated April 1, 2007

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. However, such interest is 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

BOS111 12131614.1

**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 \$7,380,000 Municipal Purpose Loan of 2007 Bonds dated April 1, 2007 (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.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on 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.

"Repository" shall mean each National Repository and each State Depository.

"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.

"State Depository" shall mean any public or private depository or entity designated by The Commonwealth of Massachusetts as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

"Transmission Agent" shall mean any central filing office, conduit or similar entity which undertakes responsibility for accepting filings under the Rule for submission to each Repository. The current Transmission Agents are listed on Exhibit A attached hereto.

SECTION 3. Provision of Annual Reports.

(a) The Town shall, not later than 270 days after the end of each fiscal year, provide to each Repository 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 Repositories an Annual Report by the date required in subsection (a), the Town shall send a notice to each National Repository and the State Depository, if any, 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 March ___, 2007 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 have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, [4, 5] and 10 above are not applicable to the Bonds.

(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 each National Repository and the State Depository, if any.

SECTION 6. Alternative Methods for Reporting. The Town may satisfy its obligations to make a filing with each Repository hereunder by transmitting the same to a Transmission Agent if and to the extent such Transmission Agent has received an interpretive advice from the Securities and Exchange Commission, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such Transmission Agent for submission to each Repository is an undertaking described in the Rule.

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 each Repository.

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: _____, 2007

TOWN OF BEDFORD,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: List of National Repositories and Transmission Agents]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]