

**PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED MARCH 16, 2010**

New Issue

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

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 (the "Code"), 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 Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

**TOWN OF BEDFORD, MASSACHUSETTS  
\$2,775,000 GENERAL OBLIGATION REFUNDING BONDS**

**DATED**  
April 1, 2010

**DUE**  
December 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 "Book-Entry-Transfer System" herein.)

Principal of the Bonds will be payable December 1 of the years in which the Bonds mature. Interest on the Bonds will be payable June 1 and December 1, commencing December 1, 2010. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

The Bonds will be valid general obligations of the Town of Bedford, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½).

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**MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS AND CUSIPS**

<u>Due December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip 076221</u>	<u>Due December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip 076221</u>
2010	\$ 570,000	2.00 %	0.30 %	YK0	2014	\$ 335,000	1.75 %	1.35 %	YP9
2011	500,000	2.00	0.50	YL8	2015	275,000	2.00	1.70	YQ7
2012	445,000	3.00	0.80	YM6	2016	165,000	2.00	2.00	YR5
2013	385,000	2.00	1.00	YN4	2017	100,000	2.25	2.25	YS3

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(plus accrued interest to be added)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts has acted as Financial Advisor to the Town of Bedford, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about April 8, 2010, against payment to the Town in federal funds.

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

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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 24, 2010, 11:00 a.m. (E.T).

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

Issuer: Town of Bedford, Massachusetts.

Issue: \$2,775,000 General Obligation Refunding Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Official Statement Dated: March 24, 2010.

Dated Date of the Bonds: April 1, 2010.

Principal Due: Serially December 1, 2010 through December 1, 2017 as detailed herein.

Purpose and Authority: Bond proceeds will be used to refund certain outstanding bonds of the Town, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

Redemption: The Bonds are not subject to redemption prior to their stated maturity dates.

Security: The Bonds will be valid general obligations of the Town of Bedford, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the Town and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the General Laws, ("Proposition 2 ½").

Credit Rating: Standard & Poor's Rating Group assigned AAA rating on 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.

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 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/Escrow Agent: U.S. Bank National Association, Boston, Massachusetts.

Verification Agent: Grant Thornton LLP, Minneapolis, Minnesota.

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 8, 2010, 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  
\$2,755,000\* GENERAL OBLIGATION REFUNDING BONDS**

The Town of Bedford, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, March 24, 2010, for the purchase of the following described General Obligation Refunding Bonds of the Town (the "Bonds"):

\$2,755,000\* General Obligation Refunding Bonds payable December 1 of the years and in the amounts as follows:

<u>Due December 1</u>	<u>Principal Amount*</u>	<u>Due December 1</u>	<u>Principal Amount*</u>
2010	\$ 555,000	2014	\$ 330,000
2011	500,000	2015	275,000
2012	440,000	2016	170,000
2013	385,000	2017	100,000

\*Preliminary, subject to change.

The Bonds will be dated April 1, 2010. Principal of the Bonds will be payable on December 1 of the years in which the Bonds mature. Interest will be payable on June 1 and December 1 commencing December 1, 2010.

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

The Bonds are not subject to redemption prior to their stated maturity dates.

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

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

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate 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, 2010, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to 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 among all such proposals.

The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Bonds are being issued after taking into account any premium to be received by the Town and the actual investment yield at which the proceeds of the Bonds are to be invested, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the Town. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by not more than fifteen percent (15%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 5 P.M. on the day of the sale.

Bids must be submitted either:

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

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

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

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

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that he/she shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated March 16, 2010, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

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

The Bonds will be designated as “qualified tax-exempt obligations” for the purpose of Section 265(b)(3) of the Code.

Additional information concerning the Town of Bedford and the Bonds is contained in the Preliminary Official Statement dated March 16, 2010, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4409). Within seven (7) business days following the award of the Bonds in accordance herewith, 15 copies of the Final Official Statement will be available from the First Southwest Company to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of March 24, 2010 (the “Sale Date”), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the “issue price” of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

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

The Bonds in definitive form will be delivered to the Depository Trust Company or its custodial agent on or about April 8, 2010 for settlement in Federal Reserve Funds.

March 16, 2010

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

## OFFICIAL STATEMENT

### TOWN OF BEDFORD, MASSACHUSETTS

#### \$2,775,000 GENERAL OBLIGATION REFUNDING BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Bedford, Massachusetts (the "Town") in connection with the sale of \$2,775,000 aggregate principal amount of its General Obligation Refunding 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, 2010 and will bear interest payable semiannually on June 1 and December 1, commencing December 1, 2010. The Bonds shall mature on December 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

The Bonds are not subject to redemption prior to their stated maturity dates.

#### Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, and if such date is not a business day, the record date shall be the next succeeding business day; 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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates

the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security ("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 securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

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

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

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

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

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

## Authorization of the Bonds and Use of Proceeds

<u>Purpose</u>	<u>This Issue</u>	<u>Date of Authorization</u>	<u>Statutory (Reference Massachusetts General Laws, as amended)</u>
Refunding Bonds	\$ 2,755,000	3/15/2010	C. 44, s. 21A

\$2,775,000\* of Bond proceeds (the "Refunding Bonds") and \$9,931,452 grant funds from the Massachusetts School Building Authority ("MSBA") will be used to retire in part and refund in part \$6,140,000 principal amount of the Municipal Purpose Loan of 1998 Bonds dated December 15, 1998 (the "1998 Bonds") maturing in the years 2011\* through 2018\* and to retire in part and refund in part \$6,075,000 principal amount of the Municipal Purpose Loan of 2000 Bonds dated December 1, 2000 (the "2000 Bonds") maturing in the years 2010\* through 2020\* (the "Refunded Bonds"), and to pay costs of issuance relating thereto.

### Plan of Refunding

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be held in cash and an amount which will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

### Verification of Mathematical Computations

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds and (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by First Southwest Company on behalf of the Town. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company and has not evaluated or examined the assumptions or information used in the computations.

## Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	\$ 2,775,000.00
Premium	68,318.55
MSBA Grant	9,931,452.02
Accrued Interest	1,154.27
Total Sources	<u>\$ 12,775,924.84</u>
Uses:	
Deposit to Refunding Escrow Fund	\$ 12,694,952.22
Underwriter's Discount	18,037.50
Costs of Issuance	61,780.85
Accrued Interest	1,154.27
Total Uses	<u>\$ 12,775,924.84</u>

## 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. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The foregoing reflects the enactment of the American Recovery and Reinvestment Act of 2009 which includes provisions that modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities and that modify Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax

advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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

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

### **Bank Eligibility**

The Bonds will be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code.

### **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 "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for

judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

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

*State Distributions.* State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS – Types of Obligations” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for any debt service due on obligations issued to the Massachusetts School Building Authority, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the MWRA, 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.

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 is required to 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 paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

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

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

## **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, 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 makes no representation that they have independently verified the same.

## **Rating**

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

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

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

## **Continuing Disclosure**

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

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

## TOWN OF BEDFORD, MASSACHUSETTS

### General

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

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

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

### Governing Bodies and Officers

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

#### PRINCIPAL TOWN OFFICIALS

The following is a list of the principal executive officers:

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Selectman, Chairperson	Michael A. Rosenberg	Elected/3 Years	2011
Selectman	Mark Siegenthaler	Elected/3 Years	2011
Selectman	Walter J. St. Onge III	Elected/3 Years	2012
Selectman	Catherine B. Cordes	Elected/3 Years	2013
Selectman	William S. Moonan	Elected/3 Years	2013
Town Manager	Richard T. Reed	Appointed	Indefinite
Finance Director	Peter P. Naum	Appointed	Indefinite
Town Accountant	Debra A. McGrane	Appointed	Indefinite
Treasurer/Collector	Victor Garofalo	Appointed	Indefinite
Town Clerk	Doreen Tremblay	Appointed	Indefinite
Town Counsel	Michael C. Lehane	Appointed	2010

### Municipal Services

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

## Education

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

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

### PUBLIC SCHOOL ENROLLMENTS OCTOBER 1,

	Actual						Projected
	2004	2005	2006	2007	2008	2009	2010
Kindergarten	175	162	150	150	145	187	151
Grades 1-4	690	685	697	697	711	690	721
Grades 5-6	329	352	362	362	377	369	386
Grades 7-8	340	311	325	325	377	383	374
High School (9 - 12) (1)	726	761	756	756	783	771	804
Totals	<u>2,260</u>	<u>2,271</u>	<u>2,290</u>	<u>2,290</u>	<u>2,393</u>	<u>2,400</u>	<u>2,436</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				
	2008	2007	2006	2005	2004
Construction	383	368	351	349	458
Manufacturing	2,164	2,296	2,253	2,946	1,331
Trade, Transportation & Utilities	1,828	1,710	1,790	1,936	2,293
Information	2,016	1,712	1,899	1,858	1,257
Financial Activities	697	684	633	595	733
Professional and Business Services	5,565	5,569	5,542	5,196	7,727
Education and Health Services	3,321	3,078	2,979	2,951	3,505
Leisure and Hospitality	881	858	839	743	1,290
Other Services	187	246	217	1,873	578
Total Employment	<u>17,042</u>	<u>16,521</u>	<u>16,503</u>	<u>18,447</u>	<u>19,172</u>
Number of Establishments	<u>630</u>	<u>627</u>	<u>621</u>	<u>624</u>	<u>1,302</u>
Average Weekly Wages	<u>\$ 1,607</u>	<u>\$ 1,693</u>	<u>\$ 1,620</u>	<u>\$ 1,490</u>	<u>\$ 1,283</u>
Total Wages	<u>\$ 1,560,988,366</u>	<u>\$ 1,596,883,592</u>	<u>\$ 1,525,824,760</u>	<u>\$ 1,428,805,413</u>	<u>\$ 1,309,311,650</u>

## Largest Employers

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

## Labor Force, Employment and Unemployment Rates

According to the Massachusetts Division of Employment and Training, in January 2010, the Town has a total labor force of 7,010, of which 6,526 were employed and 484, or 6.9%, were unemployed, as compared with 10.4% for the Commonwealth (unadjusted). The following table sets forth 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 Unemployment Rate</u>	<u>United States Unemployment Rate</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>		
2009	7,101	6.5 %	8.1 %	9.3 %
2008	6,853	4.0	5.3	5.8
2007	6,776	3.2	4.5	4.6
2006	6,612	4.0	4.9	4.6
2005	6,498	3.7	4.8	5.1

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>
2009	480	\$55,534,950
2008	567	63,858,830
2007	596	121,286,389 (1)
2006	569	65,188,499
2005	594	97,806,971

SOURCE: Report of the Building Inspector.

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

## Development

The Planning Board has continued reviewing proposals for new and existing development in Bedford over the last year. These reviews include a range of mixed use, commercial, and residential developments.

On the mixed-use side; the Planning Board granted three separate special permit amendments: 1.) 209/213 Burlington Road received an amendment for additional parking, plus extensive drainage and site improvements; 2) 59 Middlesex Turnpike added 35 garage spaces and was given approval to allow office use in two of its buildings; 3) 59 Middlesex Turnpike was granted a minor amendment to allow outdoor refrigerator freezer unit for a potential restaurant use in the mixed-use development.

On the Commercial side: 1.) The Planning Board gave recommendation to the Building Inspector for site plan approval on a proposal to convert a two-family residence to a 700sf 1-bedroom apartment and a 700sf single tenant office space, plus related site improvements such as parking, drainage and landscaping. 2.) The Town is requesting a special permit use for the one-half acre property located at 80 Loomis & 110 South Road. The historic Bedford Depot Building and Freight House are located on this property. Both buildings are being used by no-governmental organizations. The Planning Board will review the town's special permit request to allow business and professional office, retail store, personal service shop, municipal use and repair or trade shop uses in the Depot Area Mixed Use Overlay District.

On the Residential side: 1.) 182-184 Hartwell Road received an amendment to a special permit to reduce the number of housing units from 80 to 75 – removing multi-story buildings and replacing them with townhouse style units; 2) A recommendation for approval with conditions was given to the Zoning Board of Appeals, by the Planning Board, for the Habitat for Humanity housing project located at 130 North Road; 3) The Planning Board reviewed preliminary plans for Carleton Willard Village Nursing Care Facility to expand their existing housing by proposing to construct an additional five duplexes consisting of ten independent-style living units. This expansion, as proposed, would require a zoning amendment.

## Population and Income

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

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

(1) Federal Census Bureau.

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

SOURCE: Federal Census.

## PROPERTY TAXATION

### Tax Levy Computation

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

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

### TAX LEVY COMPUTATION

	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Gross Amount to be Raised					
Appropriations (1)	\$73,903,744	\$71,740,978	\$68,959,593	\$65,281,589	\$62,213,715
Other Local Expenditures	529,067	1,153,385	504,106	426,138	917,945
State and County Charges	283,011	286,472	263,286	261,553	265,988
Overlay Reserve	868,878	900,351	1,062,646	921,765	909,148
<b>Total Gross Amount to be Raised</b>	<b>75,584,699</b>	<b>74,081,186</b>	<b>70,789,631</b>	<b>66,891,045</b>	<b>64,306,796</b>
Less Estimated Receipts & Other Revenue					
Estimated Receipts from State (2)	6,631,078	7,186,697	6,747,258	6,329,108	5,648,073
Estimated Receipts-Local (3)	13,558,591	12,573,525	13,319,713	11,928,308	12,050,813
Available Funds Appropriated:					
Free Cash	-	-	263,800	300,000	-
Other Available Funds (4)	5,863,837	5,702,110	4,312,026	5,495,360	6,258,590
Free Cash & Other Revenue Used to Reduce the Tax Rate	3,055,000	2,600,000	3,491,000	2,422,959	1,450,000
<b>Total Estimated Receipts &amp; Revenues</b>	<b>29,108,506</b>	<b>28,062,332</b>	<b>28,133,797</b>	<b>26,475,735</b>	<b>25,407,476</b>
<b>Net Amount to be Raised (Tax Levy)</b>	<b>\$46,476,193</b>	<b>\$46,018,854</b>	<b>\$42,655,834</b>	<b>\$40,415,310</b>	<b>\$38,899,320</b>
Property Valuation	\$ 2,685,481,470	\$ 2,830,696,757	\$ 2,893,298,665	\$ 2,799,213,600	\$ 2,660,171,670
Tax Rate per \$1,000 (Residential)	\$ 13.08	\$ 12.43	\$ 11.38	\$ 11.29	\$ 11.47
Tax Rate per \$1,000 (C/I/P)	\$ 29.51	\$ 28.45	\$ 25.80	\$ 25.27	\$ 25.59
Tax Rate per \$1,000 (Open Space)	\$ 9.81	\$ 9.32	\$ 8.54	\$ 8.47	\$ 8.60

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. There have been reductions in state local aid in fiscal 2009 from the amounts originally expected and the Commonwealth's recently enacted fiscal year 2010 budget provides for further reductions in local aid in fiscal 2010. Bedford received approximately \$139,219 less in fiscal 2009 than when it set its tax rate and levy as shown above and received a reduction of \$555,619 in fiscal 2010. The Town offset the loss of this revenue through prudent budgeting and closely monitored spending.
- (3) Includes Community Preservation Act revenues.
- (4) Transfers from other available funds, including "free cash", generally made as an offset to a particular appropriation item.

## Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent 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 percent 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 percent of fair cash value but not less than ten dollars per acre.

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".

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>
2010	\$2,685,481,470	\$70,454,100	\$2,755,935,570	\$46,476,193	\$3,690
2009	2,758,181,457	72,515,300	2,830,696,757	46,018,853	3,654
2008	2,834,062,565	59,236,100	2,893,298,665	42,655,834	3,387
2007	2,733,284,500	65,929,100	2,799,213,600	40,415,310	3,209
2006	2,595,762,000	64,409,670	2,660,171,670	38,899,320	3,088

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

## Classification of Property

The following is a breakdown of the Town's assessed valuations in fiscal years 2010, 2009 and 2008.

<u>Property Type</u>	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Residential	\$2,115,408,335	76.8 %	\$2,148,598,800	75.9 %	\$2,212,195,000	76.5 %
Open Space	4,837,900	0.2	4,909,400	0.2	5,296,600	0.2
Commercial	271,250,635	9.8	384,622,657	13.6	395,663,665	13.7
Industrial	293,984,600	10.7	220,050,600	7.8	220,907,300	7.6
Personal	70,454,100	2.6	72,515,300	2.6	59,236,100	2.0
<b>Total</b>	<b>\$2,755,935,570</b>	<b>100.0 %</b>	<b>\$2,830,696,757</b>	<b>100.0 %</b>	<b>\$2,893,298,665</b>	<b>100.0 %</b>

## LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuation for fiscal 2010. All of the properties listed are current in their tax payments.

Name	Nature of Business	Assessed Valuation
Mariner Bedford Woods Inc	Offices	\$ 43,930,000
Bedford Business PK LTD Prtn	Offices	29,251,300
RAR 2 Crosby Corporate Center	Offices	28,771,000
ILC Property	Offices	26,900,400
MSCP Crosby	Offices	26,282,500
Criterion Bedford Apartments	Living/Rental	24,921,700
RAR 2 Crosby Corp. Center QRS Inc.	Offices	23,985,100
Heritage Middlesex Tpke	Living/Rental	22,495,800
Great Road Shopping Center	Retail	21,756,700
Millipore	Research & Development	21,345,700
Totals		<u>\$ 269,640,200</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.

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

### Overlay

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

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

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted Through January 31, 2010
		Dollar Amount	As a % of Net Levy	
2009	\$45,118,503	\$900,351	2.0 %	\$856,068
2008	41,587,410	1,062,647	2.6	696,499
2007	39,493,547	921,765	2.3	628,157
2006	37,990,172	909,148	2.4	417,240
2005	36,099,488	796,670	2.2	413,473

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

## Tax Collections

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

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	Collections During Fiscal Year Payable (2)		Collections as of June 30, 2009	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2009	\$ 46,018,854	\$ 900,351	\$ 45,118,503	\$ 44,980,645	99.7 %	\$ 44,980,645	99.7 %
2008	42,650,057	1,062,647	41,587,410	41,751,700	100.4	41,877,137	100.7
2007	40,415,312	921,765	39,493,547	39,809,438	100.8	39,927,467	101.1
2006	38,980,320	990,148	37,990,172	38,068,727	100.2	38,526,253	101.4
2005	36,896,158	796,670	36,099,488	36,462,845	101.0	36,556,063	101.3

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

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

## Tax Titles and Possessions

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

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

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

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

## Sale of Tax Receivables

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

## **Taxation to Meet Deficits**

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

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

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

## **Tax Limitations**

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

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

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 per cent, subject to exception for property added to the tax rolls or property which has had an increase other than as part of a general revaluation, in its assessed valuation over the prior year's valuation. This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of the city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

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

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

Proposition 2 1/2 further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

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

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

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

The table below lists debt exclusions passed by the Town.

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

The table below presents the Town's primary levy limits, its maximum levy limits, and its actual tax levies for fiscal years 2006 through 2010.

<u>Fiscal Year</u>	<u>Estimated Full Valuation(1)</u>	<u>Primary Levy Limit</u>	<u>Maximum Levy Limit</u>	<u>Actual Tax Levy(2)</u>	<u>Under(Over) Primary Levy Limit</u>	<u>Under(Over) Maximum Levy Limit</u>
2010	\$2,755,935,570	\$68,898,389	\$47,723,183	\$46,476,193	\$22,422,196	\$1,246,990
2009	2,830,696,757	70,767,419	47,211,013	46,018,853	24,748,566	1,192,160
2008	2,893,298,665	72,332,467	44,085,727	42,655,834	29,676,633	1,429,893
2007	2,799,213,600	69,980,340	41,641,585	40,415,310	29,565,030	1,226,275
2006	2,660,171,670	66,504,292	40,056,708	38,899,320	27,604,972	1,157,388

(1) Local assessed valuation.

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

## Community Preservation Act

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

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

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

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

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

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

### Community Preservation Fund Revenues

	<u>Property Tax</u>	<u>State Contribution</u>	<u>Total</u>
2009	\$ 1,137,262	\$ 443,486	\$ 1,580,748
2008	1,073,977	786,328	1,860,305
2007	1,005,763	1,010,047	2,015,810
2006	958,407	965,106	1,923,513
2005	915,465	918,041	1,833,506

**Pledged Taxes**

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

**Initiative Petitions**

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

## TOWN FINANCES

### Budget and Appropriation Process

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

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

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

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

### Budget Trends

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

#### BUDGET COMPARISON

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

## Revenues

### Property Taxes

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

### Federal Aid

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

<u>Fiscal Year</u>	<u>Total Federal Aid</u>
2010 (est.)	\$ 339,000
2009	339,177
2008	283,517
2007	291,902
2006	323,000

### State Aid

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

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

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

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

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

(1) Includes estimated school building assistance.

(2) Estimate.

(3) There have been reductions in state local aid in fiscal 2009 from the amounts originally expected and the Commonwealth's recently enacted fiscal 2010 budget provided for further reductions in local aid in fiscal 2010. Bedford received \$139,219 less in fiscal 2009 than when it set its tax rate.

It is unclear if and how much state aid may be further reduced in fiscal 2011.

**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.

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 either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

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

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

### **Motor Vehicle Excise**

An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also after a hearing suspend the owner's operating license. The amount of excise taxes received by the Town in fiscal year 2008 was \$1,593,000 and \$1,590,361 in fiscal year 2009. The Town estimates it will receive \$1,625,000 in fiscal year 2010.

### **Local Options Meals Tax**

On August 3, 2009, the Town adopted the local meals excise tax to be effective October 1, 2009. In fiscal year 2010, the local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue from this tax is projected to be approximately \$142,743 in fiscal 2010 and is expected to be approximately \$300,000 in future years.

## Room Occupancy Tax

Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) 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. On August 3, 2009, the Town adopted an increase in the room occupancy tax to 6% to be effective October 1, 2009.

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

<u>Fiscal Year</u>	<u>Room Occupancy</u>
2010	\$ 499,742
2009	365,812
2008	339,714
2007	194,634 (1)
2006	348,691

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

## Investment of Town Funds

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

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm 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, 2009 by Powers & Sullivan, PC, Certified Public Accounts, of Wakefield, Massachusetts. The audit for fiscal year ended June 30, 2009 is attached hereto as Appendix A.

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

## Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years ended June 30, 2009, June 30, 2008, and June 30, 2007, and a Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds for the fiscal years ended June 30, 2005 through June 30, 2009. 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, 2009 (1)**

	<u>General</u>	<u>High School</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,267,245	\$ 1,202,749	\$ 20,486,012	\$ 35,956,006
Investments	101,676	-	2,765,716	2,867,392
Receivables, net of uncollectibles:				
Real estate and personal property taxes	412,346	-	-	412,346
Tax liens	397,403	-	-	397,403
Motor vehicle excise taxes	114,549	-	-	114,549
User fees	856,223	-	1,135,608	1,991,831
Departmental and other	103,627	-	88,497	192,124
Intergovernmental	16,273,693	11,400,000	2,199,317	29,873,010
Tax foreclosures	53,769	-	-	53,769
<b>TOTAL ASSETS</b>	<u>\$ 32,580,531</u>	<u>\$ 12,602,749</u>	<u>\$ 26,675,150</u>	<u>\$ 71,858,430</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 1,236,665	\$ 240,950	\$ 602,044	\$ 2,079,659
Accrued payroll	1,460,006	-	-	1,460,006
Health claims payable	85,000	-	-	85,000
Tax refunds payable	924,632	-	-	924,632
Liabilities due depositors	636,839	-	-	636,839
Other liabilities	1,131,201	-	-	1,131,201
Deferred revenues	18,040,024	-	3,103,725	21,143,749
Notes payable	-	11,400,000	-	11,400,000
<b>TOTAL LIABILITIES</b>	<u>23,514,367</u>	<u>11,640,950</u>	<u>3,705,769</u>	<u>38,861,086</u>
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	2,172,960	-	-	2,172,960
Perpetual permanent funds	-	-	465,301	465,301
Unreserved:				
Designated for subsequent year's expenditures	3,055,000	-	-	3,055,000
Undesignated, reported in:				
General fund	3,838,204	-	-	3,838,204
Special revenue funds	-	-	19,945,277	19,945,277
Capital projects funds	-	961,799	2,208,042	3,169,841
Permanent funds	-	-	350,761	350,761
<b>TOTAL FUND BALANCES</b>	<u>9,066,164</u>	<u>961,799</u>	<u>22,969,381</u>	<u>32,997,344</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 32,580,531</u>	<u>\$ 12,602,749</u>	<u>\$ 26,675,150</u>	<u>\$ 71,858,430</u>

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

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

**JUNE 30, 2008 (1)**

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

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

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

**JUNE 30, 2007 (1)**

<b>ASSETS</b>	<u>General</u>	<u>High School</u>	<u>Glenn Middle School</u>	<u>Town Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 13,783,712	\$ -	\$ 26,497	\$ 1,174,165	\$ 14,242,937	\$ 29,227,311
Investments	2,209,541	-	-	-	5,662,272	7,871,813
Receivables, net of uncollectibles:						
Real estate and personal property taxes	309,386	-	-	-	-	309,386
Tax liens	342,238	-	-	-	-	342,238
Motor vehicle excise taxes	193,906	-	-	-	-	193,906
User fees	839,221	-	-	-	886,101	1,725,322
Departmental and other	93,306	-	-	-	71,321	164,627
Intergovernmental	18,495,581	-	-	-	2,126,677	20,622,258
Tax foreclosures	59,238	-	-	-	-	59,238
Due from other funds	-	-	-	297,002	-	297,002
<b>TOTAL ASSETS</b>	<u>\$ 36,326,129</u>	<u>\$ -</u>	<u>\$ 26,497</u>	<u>\$ 1,471,167</u>	<u>\$ 22,989,308</u>	<u>\$ 60,813,101</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 769,540	\$ 2,246,451	\$ -	\$ 38,863	\$ 281,287	\$ 3,336,141
Accrued payroll	1,135,998	-	-	-	-	1,135,998
Health claims payable	64,000	-	-	-	-	64,000
Tax refunds payable	1,609,000	-	-	-	-	1,609,000
Accrued interest on short-term debt	832,000	-	-	-	-	832,000
Liabilities due depositors	632,691	-	-	-	-	632,691
Other liabilities	962,102	-	-	-	-	962,102
Deferred revenues	20,163,725	-	-	-	2,860,367	23,024,092
Due to other funds	-	297,002	-	-	-	297,002
Notes payable	-	20,000,000	-	-	-	20,000,000
<b>TOTAL LIABILITIES</b>	<u>26,169,056</u>	<u>22,543,453</u>	<u>-</u>	<u>38,863</u>	<u>3,141,654</u>	<u>51,893,026</u>
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	2,894,274	-	-	-	-	2,894,274
Perpetual permanent funds	-	-	-	-	442,235	442,235
Unreserved:						
Designated for subsequent year's expenditures	3,491,000	-	-	-	-	3,491,000
Undesignated, reported in:						
General fund	3,771,799	-	-	-	-	3,771,799
Special revenue funds	-	-	-	-	19,079,172	19,079,172
Capital projects funds	-	(22,543,453)	26,497	1,432,304	-	(21,084,652)
Permanent funds	-	-	-	-	326,247	326,247
<b>TOTAL FUND BALANCES</b>	<u>10,157,073</u>	<u>(22,543,453)</u>	<u>26,497</u>	<u>1,432,304</u>	<u>19,847,654</u>	<u>8,920,075</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 36,326,129</u>	<u>\$ -</u>	<u>\$ 26,497</u>	<u>\$ 1,471,167</u>	<u>\$ 22,989,308</u>	<u>\$ 60,813,101</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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>					
Real estate and personal property taxes, net of tax refunds	\$ 45,133,746	\$ 42,038,212	\$ 39,563,532	\$ 38,852,987	\$ 36,338,335
Motor vehicle and other excise taxes	2,192,527	2,304,203	2,221,374	2,033,162	2,087,997
Charges for services	2,497,839	2,821,798	2,212,303	2,250,192	1,755,299
Penalties and interest on taxes	128,365	111,553	114,944	149,003	202,590
Payments in lieu of taxes	1,347,828	1,279,990	1,221,245	1,158,303	1,120,149
Intergovernmental	11,798,996	11,466,310	10,878,265	9,643,490	8,914,322
Departmental and other	3,291,520	3,293,468	2,840,471	2,994,879	2,432,901
Investment Income	973,211	1,761,174	2,087,336	1,275,210	746,454
Total Revenues	<u>67,364,032</u>	<u>65,076,708</u>	<u>61,139,470</u>	<u>58,357,226</u>	<u>53,598,047</u>
<b>Expenditures:</b>					
Current:					
General government	3,203,398	3,302,843	3,269,092	2,754,163	2,754,384
Public safety	5,620,092	5,645,564	5,277,829	5,074,875	4,769,398
Education	30,478,656	28,756,349	27,350,348	25,794,009	24,857,689
Public works	5,571,034	5,197,396	4,572,773	4,756,489	4,575,131
Water	1,263,638	1,004,139	1,459,072	1,376,498	1,030,314
Sewer	617,960	662,627	605,818	487,537	457,225
MWRA assessment	2,779,636	2,662,238	2,565,613	2,379,363	2,357,318
Human services	1,051,440	939,060	908,320	874,599	826,154
Culture and recreation	1,217,342	1,212,450	1,173,132	1,127,128	1,098,065
Pension benefits	7,485,653	6,942,882	6,430,027	6,035,074	5,686,185
Employee benefits	6,367,894	5,749,526	5,348,121	4,903,974	4,662,763
Other	-	-	-	104,283	99,923
State and county charges	259,662	254,413	247,083	245,823	268,898
Debt service:					
Principal	4,268,572	4,336,741	4,067,911	3,840,911	3,831,051
Interest	3,296,072	2,565,962	3,065,540	2,362,202	2,473,221
Total Expenditures	<u>73,481,049</u>	<u>69,232,190</u>	<u>66,340,679</u>	<u>62,116,928</u>	<u>59,747,719</u>
Excess (Deficiency) of revenues over expenditures	(6,117,017)	(4,155,482)	(5,201,209)	(3,759,702)	(6,149,672)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	5,879,887	4,746,703	6,191,549	5,213,150	5,220,575
Operating transfers out	(815,000)	(630,000)	(1,183,000)	(2,068,000)	-
Total Other Financing Sources (Uses)	<u>5,064,887</u>	<u>4,116,703</u>	<u>5,008,549</u>	<u>3,145,150</u>	<u>5,220,575</u>
Net change in fund balances	(1,052,130)	(38,779)	(192,660)	(614,552)	(929,097)
Fund Balances, at Beginning of Year	<u>10,118,294</u>	<u>10,157,073</u>	<u>10,349,733</u>	<u>10,964,285</u>	<u>11,893,382</u>
Fund Balances, at End of Year	<u>\$ 9,066,164</u>	<u>\$ 10,118,294</u>	<u>\$ 10,157,073</u>	<u>\$ 10,349,733</u>	<u>\$ 10,964,285</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:

<u>Fiscal Year</u>	<u>Undesignated General Fund Balance (June 30)(1)</u>	<u>Certified Free Cash (July 1)</u>
2009	\$ 3,838,204	\$ 2,393,359
2008	5,548,653	4,355,208
2007	3,771,799	2,974,723
2006	6,010,404	5,108,469
2005	3,371,531	4,222,959

(1) Source: Audited financial Statements.

## Stabilization Fund

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

<u>As of June 30,</u>	<u>Stabilization Fund Balance</u>
2009	\$ 3,048,328
2008	3,595,986
2007	3,063,418
2006	3,365,688
2005	3,250,110

## Tax Increment Financing for Development Districts

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

The Town has not established any such districts.

## INDEBTEDNESS

### Authorization Procedure and Limitations

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

### Debt Limits

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

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

### Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds and notes issued for certain purposes including self supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects and certain small municipal renewable energy generating facilities 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 applicable term measured from the date of the original bonds or notes, and must produce present value savings over the debt service of the refunded bonds. Generally, the first principal payment of the refunding bonds can not be later than the first principal payment of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any bonds or notes being refunded thereby may be in any amount.

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 paid by the State from state aid or other state payments. Administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

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

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

**DIRECT DEBT SUMMARY**  
**As of June 30, 2009**  
**(Including Subsequent Issues)**

Long-Term Debt (1)(2)		
Within Debt Limit:		
Sewers & Drains	\$ 127,380	
Land Acquisition	2,879,500	
Schools	25,380,500	
Other Building	25,693,332	
Architectural & Engineering Services	311,528	
Other	<u>1,205,000</u>	
Total Inside		<u>\$ 55,597,240</u>
Outside Debt Limit		
Water	<u>2,441,800</u>	
Total Outside		<u>2,441,800</u>
Total Long Term Debt		<u>58,039,040</u>
Short Term Debt		
Bond Anticipation Notes Outstanding (3)		16,939,000
<b>Total Direct Debt</b>		<u><b>\$ 74,978,040</b></u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.  
(2) \$32,880,000 has been exempted from the limits of Proposition 2 ½.  
(3) Payable July 22, 2010.

## Debt Ratios

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

Fiscal Year End	Bonds Outstanding	2000 Federal Census Population	Equalized Valuation	Per Capita Debt	Debt as of % of Equalized Valuation
2009	\$ 58,039,040	12,595	\$ 3,141,130,500	\$4,608	1.85 %
2008	46,422,611	12,595	2,946,953,200	3,686	1.58
2007	50,675,202	12,595	2,946,953,200	4,023	1.72
2006	46,880,579	12,595	2,632,511,200	3,722	1.78
2005	50,721,492	12,595	2,632,511,200	4,027	1.93

## Principal Payments by Purpose

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

### GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE As of June 30, 2009 (Including Subsequent Issue)

Fiscal Year	Sewer	Land Acquisition	Schools	Other Building	Architect & Engineering	Water	General	Total Outstanding
2010	\$ 36,850	\$ 243,500	\$ 2,156,500	\$ 1,057,778	\$ 47,082	\$ 251,861	\$ 25,000	\$ 3,818,571
2011	36,850	243,500	3,031,500	1,057,778	22,222	251,861	295,000	4,938,711
2012	36,850	243,500	3,026,500	747,778	22,222	251,861	275,000	4,603,711
2013	16,830	243,500	3,021,500	717,778	22,222	208,243	265,000	4,495,073
2014	-	243,500	3,016,500	712,778	22,222	193,243	265,000	4,453,243
2015	-	238,500	3,016,500	712,778	22,222	183,243	80,000	4,253,243
2016	-	238,500	3,011,500	712,778	22,222	128,243	-	4,113,243
2017	-	185,000	3,005,000	712,778	22,222	128,243	-	4,053,243
2018	-	185,000	3,005,000	712,778	22,222	90,000	-	4,015,000
2019	-	185,000	2,280,000	712,778	22,222	90,000	-	3,290,000
2020	-	180,000	2,280,000	707,778	22,222	90,000	-	3,280,000
2021	-	180,000	2,280,000	707,778	22,222	90,000	-	3,280,000
2022	-	90,000	1,730,000	699,996	20,004	95,000	-	2,635,000
2023	-	90,000	1,730,000	550,000	-	95,000	-	2,465,000
2024	-	90,000	1,000,000	425,000	-	95,000	-	1,610,000
2025	-	-	870,000	20,000	-	100,000	-	990,000
2026	-	-	865,000	-	-	100,000	-	965,000
2027	-	-	780,000	-	-	-	-	780,000
	<u>\$ 127,380</u>	<u>\$ 2,879,500</u>	<u>\$ 40,105,500</u>	<u>\$ 10,968,332</u>	<u>\$ 311,528</u>	<u>\$ 2,441,800</u>	<u>\$ 1,205,000</u>	<u>\$ 58,039,040</u>

**Debt Service Requirements as of June 30, 2009, including subsequent issue and prior to refunding**

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

Fiscal Year	Outstanding (1)		SBA Subsidy (2)	Total Net Debt Service	Cumulative % Retired
	Principal	Interest			
2010	\$ 3,818,571	\$ 2,175,555	\$ (1,798,640)	\$ 4,195,486	6.6 %
2011	4,938,711	2,232,133	(1,798,640)	5,372,204	15.1
2012	4,603,711	2,059,129	(1,798,640)	4,864,200	23.0
2013	4,495,073	1,886,716	(1,798,639)	4,583,151	30.8
2014	4,453,243	1,712,018	(1,798,639)	4,366,622	38.4
2015	4,253,243	1,530,295	(1,798,639)	3,984,899	45.8
2016	4,113,243	1,344,270	(1,798,638)	3,658,875	52.9
2017	4,053,243	1,160,619	(1,798,638)	3,415,224	59.8
2018	4,015,000	977,398	(1,798,638)	3,193,760	66.8
2019	3,290,000	791,938	(1,193,295)	2,888,643	72.4
2020	3,280,000	640,650	(1,193,295)	2,727,355	78.1
2021	3,280,000	492,494	(589,055)	3,183,439	83.7
2022	2,635,000	363,469	(589,055)	2,409,414	88.3
2023	2,465,000	251,319	(589,055)	2,127,264	92.5
2024	1,610,000	149,522	-	1,759,522	95.3
2025	990,000	92,000	-	1,082,000	97.0
2026	965,000	52,500	-	1,017,500	98.7
2027	780,000	15,600	-	795,600	100.0
	<u>\$ 58,039,040</u>	<u>\$ 17,927,622</u>	<u>\$ (20,341,506)</u>	<u>\$ 55,625,155</u>	

(1) \$44,269,524 principal and associated interest has been exempted from the limits of Proposition 2 ½.

(2) The Massachusetts School Building Authority has agreed to provide a lump sum grant payment of \$9,931,452 in connection with the Davis Elementary and Job Lane Elementary construction projects and the bonds originally issued December 15, 1998 and December 1, 2000. The lump sum payment and a portion of the refunding bonds (this issue) will be used to retire a portion of the 1998 Davis School Bonds and a portion of the 2000 Job Lane School Bonds. The outstanding principal will be reduced by the amount of the grant and annual state aid payment in the table above will be reduced by approximately \$1,206,779 in each of the years 2011 through 2018 and reduced by approximately \$604,240 in the years 2019 and 2020.

## Authorized Unissued Debt and Prospective Financing

The Town has \$23,523,274 of authorized unissued debt for the following purposes:

Middle School	\$ 229
Middlesex Turnpike	145,000
Land Acquisition	4,000
Water Bonds	10,000
Water Mains	50,000
Bedford High School (1)	14,845,330
Water Main Improvements	400,000
Sewer System Expansion	341,000
Road Resurfacing	2,500,000
Water Tank	150,000
Shawsheen Well #2 Replacement	100,000
Water Main Improvements	475,000
Infiltration/Inflow Program	150,000
Fire Mini Pumper	218,000
Middlesex Turnpike Water Main Replacement	425,000
North Road water Main Replacement	625,000
Crosby Drive Water Standpipe Paiting	260,000
Summer Street Drainage Improvements	180,000
Middlesex Turnpike Property Acquisition	790,000
Infiltration/Inflow Program	319,715
Town Center - North Wing	<u>1,535,000</u>
Total	<u>23,523,274</u>

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

## Overlapping Debt

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

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

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

Entity	Bonds Outstanding 6/30/09	Bedford's Estimated Share	Fiscal 2010 Assessments for Operations and Debt Service
Massachusetts Water Resources Authority (1) Sewer	\$ 3,867,095,000	0.670 %	\$1,521,136
Massachusetts Bay Transportation Authority (2)	5,393,081,820	0.002	\$269,138
Shawsheen Valley Regional Vocational Technical School District (3)	2,880,000	10.00	\$434,967

- (1) Source: Massachusetts Water Resources Authority ("MWRA"). The Massachusetts Water Resources Authority (the "MWRA") provides wholesale drinking water services in whole or in part to 48 cities, towns and special purpose entities and provides wastewater collection and treatment services to 43 cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.1 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.

(Footnotes continued on next page.)

- (2) Source: Massachusetts Bay Transportation Authority ("MBTA"). The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital purposes. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.
- (3) Source: The District. Assessment for fiscal 2010. Other member communities include Billerica, Burlington, Tewksbury, and Wilmington. Towns may organize regional school districts to carry out, general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform act of 1993.

### **Contractual Obligations**

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

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

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

The Town began a new 5 year contract with Wheelabrator North Andover, Inc. (WNA) on October 1, 2005 for the disposal of its refuse. Under the new contract, there are no longer any guaranteed annual tonnage requirements, and the Town only pays for tonnage it delivers. \$1,327,231.34 was disbursed to the Town from Tip Fee Stabilization Accounts that were previously used to build up reserves to offset escalating tip fees from the old 20 year contract which ended September 30, 2005. The tip fees to Wheelabrator North Andover, Inc. in 2007, 2008 and 2009 were \$321,202, \$347,500 and 310,123, respectively.

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

The Town also participates as a member of the Massachusetts Water Resources Authority (MWRA). The Town's ten year "Water Supply Continuation Agreement" with the MWRA expires June 30, 2017. Related to this is the Town's 25 year agreement with the Town of Lexington that enables the Town of Bedford to purchase water from Lexington at MWRA prices with an additional small administration fee. A petition to the General Court to extend the latter agreement to 99 years is being pursued.

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

## RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a 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, 2030, 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.

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

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

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

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

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

The Town established a Pension Retirement Account to address the issue of unfunded liability. The balance in the fund was \$1,467,468 as of June 30, 2009.

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

### **Other Post Employment Benefits**

The Town established a Health Claims Fund to account for funds accumulated for health insurance costs related to the Medicare Supplement Plan for retirees. The balance in the account as of January 31, 2010 was \$380,873.

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. 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. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits 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 \$1,985,297 as of June 30, 2009. In January, 2009 the Town updated its actuarial study for both past service liability and post retirement benefits liability. The Town's Unfunded Accrued Actuarial Liability ('UAAL') is approximately \$61,170,521 and the Town's pay as you go contribution is \$3,078,976. The Town will continue to update its actuarial study for both past service liability and post retirement benefit liability. The Town continues to take the appropriate steps to address this unfunded liability.

## EMPLOYEE RELATIONS

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

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

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

## LITIGATION

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

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

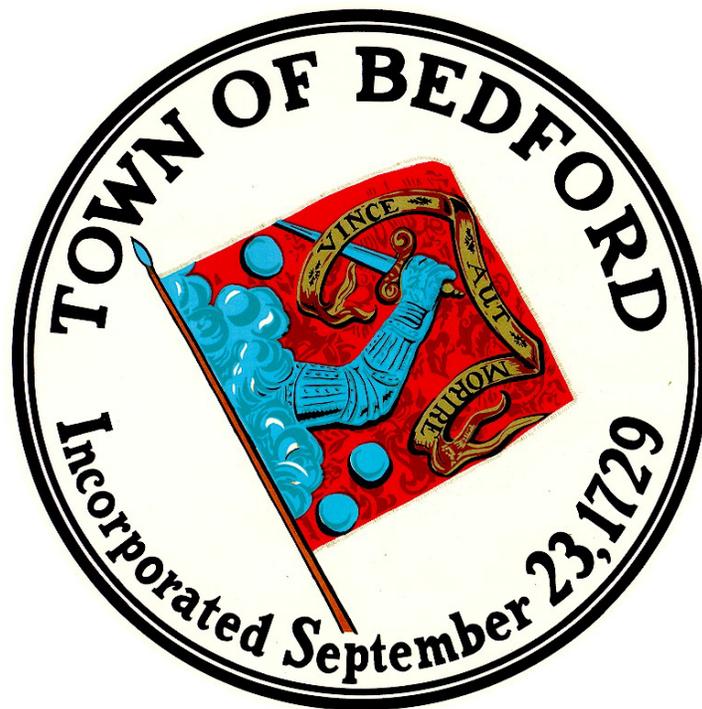
March 16, 2010

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**TOWN OF BEDFORD, MASSACHUSETTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended June 30, 2009



Prepared by:  
Finance Department

TOWN OF BEDFORD, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2009

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# ***Financial Section***

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



**The Town's Depot Park Facility includes a restored train. This is a central hub for Town recreation bikeways and walking paths.**

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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, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bedford, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bedford, Massachusetts, as of June 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009 on our consideration of the Town of Bedford, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining fund statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the basic financial statements of the Town of Bedford, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic 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, retirement system schedule of funding progress, retirement system schedule of employer contributions, other post-employment benefit plan schedule of funding progress and employer contributions, and other post-employment benefit plan actuarial methods and assumptions, 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 basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

December 1, 2009

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

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

As management of the Town of Bedford, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

### ***Overview of the Financial Statements***

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

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

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

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

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

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

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

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

The Town of Bedford maintains 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 \$148 million at the close of fiscal year 2009.

Net assets of \$119.2 million (81%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the net assets \$8 million (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$20.6 million (14%) may be used to meet the government’s ongoing obligations to citizens and creditors.

	FY09	FY08
<b>Assets:</b>		
Current assets.....	\$ 56,774,244	\$ 57,303,588
Noncurrent assets (excluding capital).....	15,084,186	16,273,693
Capital assets.....	171,072,362	166,134,241
<b>Total assets.....</b>	<b>242,930,792</b>	<b>239,711,522</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	8,809,837	9,434,927
Noncurrent liabilities (excluding debt).....	3,546,976	446,000
Current debt.....	15,493,571	46,678,571
Noncurrent debt.....	67,249,469	42,154,041
<b>Total liabilities.....</b>	<b>95,099,853</b>	<b>98,713,539</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	119,172,856	104,793,480
Restricted.....	8,037,583	8,473,528
Unrestricted.....	20,620,500	27,730,975
<b>Total net assets.....</b>	<b>\$ 147,830,939</b>	<b>\$ 140,997,983</b>

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

The governmental activities net assets increased by \$6.8 million during the current fiscal year. This is primarily due to the recognition of an \$11.4 million capital grant from the Massachusetts School building Authority to reimburse eligible construction costs related to the High School building projects. Additionally, the Town reported other capital grants totaling approximately \$1.3 million related to highway construction projects and community preservation funds. Another aspect in the overall change in net assets was the recognition of the other post-employment benefit obligation of approximately \$3.1 million which recorded to comply with the requirements of GASB Statement #45. Net assets was also impacted by a decrease of \$1.3 million in charges for services, which is attributable to a decrease in connection fee revenues for sewer lines caused by large one-time connection fees received in the two preceding years, a decrease in water user charges caused by rates not increasing in the current fiscal year as well as consumption levels dropping, and a sharp decrease in building permits. Operating grants and contributions were up, specifically related to law enforcement grants, education operating grants, and general governmental grants for affordable housing. Additionally, in connection with low interest rates, investment income was down from 2008 by approximately \$1.5 million.

Condensed financial data for fiscal years 2009 and 2008 is presented below.

	FY09	FY08
<b>Program revenues:</b>		
Charges for services.....	\$ 10,070,507	\$ 11,418,098
Operating grants and contributions.....	16,466,808	13,975,158
Capital grants and contributions.....	12,739,771	11,294,292
 <b>General Revenues:</b>		
Real estate and personal property taxes.....	45,116,928	42,055,800
Tax liens.....	58,941	100,953
Motor vehicle and other excise taxes.....	2,175,593	2,241,778
Community preservation tax.....	1,135,525	1,071,678
Penalties and interest on taxes.....	128,365	111,553
Payments in lieu of taxes.....	1,347,828	1,279,990
Unrestricted grants and contributions.....	1,648,039	1,426,584
Unrestricted investment income.....	1,106,965	2,600,039
<b>Total revenues.....</b>	<b>91,995,270</b>	<b>87,575,923</b>
 <b>Expenses:</b>		
General Government.....	5,678,938	4,724,817
Public Safety.....	9,635,249	8,220,383
Education.....	46,682,837	40,578,333
Public Works.....	8,717,806	7,105,107
Water.....	2,112,065	1,417,134
Sewer.....	4,271,320	3,986,168
Human Services.....	1,633,960	1,233,859
Culture and Recreation.....	3,541,267	3,499,833
Interest.....	2,888,872	3,785,529
<b>Total expenses.....</b>	<b>85,162,314</b>	<b>74,551,163</b>
 <b>Change in net assets.....</b>	 <b>\$ 6,832,956</b>	 <b>\$ 13,024,760</b>

## ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$33 million, a decrease of (\$1.7) 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 balance of the general fund was \$6.9 million, while total fund balance was \$9.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10% of total general fund budgetary basis expenditures, while total fund balance represents 13% of that same amount.

During fiscal year 2009, the general fund balance decreased by approximately \$1.1 million. This was due primarily to the Town's planned use of reserves to fund current year operations of approximately \$2.7 million, offset by positive results of operations (i.e. net revenue and appropriation turn-backs), and decreases in accrued liabilities for estimated tax refunds payable and accrued interest on short-term debt.

The **High School major fund** is used to account for the renovation project at the High School. To finance this project, the Town has issued debt totaling \$49 million and has paid down \$10 million of this debt with funds received from the Massachusetts School Building Authority (MSBA) and an additional \$670 thousand using Town funds. In fiscal year 2009, the Town received an \$11.4 million capital grant. This has been recorded as a receivable and a capital grant during fiscal year 2009. There was a total net decrease of approximately (\$985) thousand in this major fund during the year, primarily due to the capital grant revenue recorded from MSBA, this being offset by \$6 million in capital expenditures and a \$6.7 pay-down of debt. This project is substantially complete as of June 30, 2009.

The **State Fiscal Stabilization Fund** is used to account for the Town's use of federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services. The Governor cut state Chapter 70 funding by 10% and replaced the amount with federal amounts. During fiscal year 2009, the Town received \$318,137 from the state fiscal stabilization fund, which was used to help fund special education costs.

**Nonmajor governmental funds** had a net increase of \$316,000. The increase is primarily due the net effect of an increase in the Town Capital Projects Fund of \$1.5 million, which recognized bond proceeds of \$3.5 million; and a decrease of \$1.1 million in Special Revenue Funds. Within the Nonmajor Special Revenue Funds, the Community Preservation Funds decreased by \$1.5 million, mainly due to the use of grants and the community preservation assessment to purchase land; and the Stabilization Fund decreased by \$574,000 as the Town utilized these funds for current year operations.

### **Financial Summary**

- Tax revenue continues to be the most significant revenue source for the Town, comprising 73% of total general fund budgetary basis revenue. Tax revenue increased in accordance with the provisions of the Massachusetts general law, which limits such increase to 2 ½ % over the preceding year plus an allowance

- for new growth. In fiscal year 2009, 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 11% of total general fund revenues. This excludes \$5.1 million in on-behalf payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits which represents 7.5% of total general fund revenues.
- Motor vehicle revenue continued to be a strong source of revenue. Motor vehicle revenues represent 3.3% of the total general fund revenues.
- Education continues to represent the largest category of general fund expenditures, 42% in fiscal 09. The Town is committed to providing a high-quality education through its public schools.
- Public Safety and Public Works represent a combined 15% of general fund expenditures. This reflects the Town's commitment to providing safe, secure environment and essential public services.
- Debt service costs in fiscal 09 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 under the State's previous school building reimbursement program and a 48% reimbursement for the new school construction project.
- Employee benefits equal 9% of total general fund expenditures in fiscal 09, 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.

In total actual revenues fell short of budgeted revenues by \$935 thousand. One factor is the state fiscal stabilization funds transferring \$318,137 of intergovernmental revenue and education expenditures to a special revenue fund. This created a revenue deficit and an offsetting appropriation surplus in the general fund. Other revenue shortfalls include a \$589,000 deficiency in tax collections and \$354,000 in charges for services mainly due to the current economic conditions. These deficits are offset by surpluses of \$430,000 in other revenues created through conservative budgeting.

Actual general fund expenditures are lower than final budget by approximately \$3.7 million and of this amount \$2.2 million of appropriations were carried forward to fiscal year 2010. The remaining \$1.5 million appropriation surplus was mainly comprised of the reserve appropriations, insurance and benefits, selectmen, school and debt service.

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

The Town remains committed to conservative budgets, tight management controls, and to maintaining reserves, particularly the Stabilization Fund (\$3 million at year end). As in the past, if reserves are used, there is a planned replenishment program that is implemented.

### ***Capital Asset and Debt Administration***

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

The Town defines capital projects using the following guidelines:

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

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

During fiscal year 2009, the Town's new High School was put into service. As a result, \$51 million in construction in progress was transferred to buildings.

Outstanding long-term debt, as of June 30, 2009, totaled \$71.3 million of which \$48.3 million is related to current and previous school construction and remodeling projects, \$17.9 million for public works, \$2.9 million for land acquisitions, and \$2.2 million for town center facility.

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

### ***Requests for Information***

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

# ***Basic Financial Statements***

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**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 35,956,006
Investments.....	2,867,392
Receivables, net of allowance for uncollectibles:	
Real estate and personal property taxes.....	412,346
Tax liens.....	397,403
Motor vehicle excise taxes.....	114,549
User fees.....	1,991,831
Departmental and other.....	192,124
Intergovernmental.....	14,788,824
Tax foreclosures.....	53,769
	<u>56,774,244</u>
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	15,084,186
Capital assets - nondepreciable.....	24,180,515
Capital assets - depreciable (net of accumulated depreciation).....	146,891,847
	<u>186,156,548</u>
<b>TOTAL ASSETS.....</b>	<u><b>242,930,792</b></u>
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	2,079,659
Accrued payroll.....	1,460,006
Health claims payable.....	85,000
Tax refunds payable.....	924,632
Accrued interest.....	1,507,500
Other liabilities.....	1,131,201
Customer deposits payable.....	636,839
Compensated absences.....	985,000
Bonds and notes payable.....	15,493,571
	<u>24,303,408</u>
NONCURRENT:	
Compensated absences.....	468,000
Other post-employment benefits.....	3,078,976
Bonds and notes payable.....	67,249,469
	<u>70,796,445</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>95,099,853</b></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt.....	119,172,856
Restricted for:	
Permanent funds:	
Expendable.....	350,761
Nonexpendable.....	465,301
Grants and gifts.....	3,326,128
Community preservation.....	3,895,393
Unrestricted.....	20,620,500
<b>TOTAL NET ASSETS.....</b>	<u><b>\$ 147,830,939</b></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 5,678,938	\$ 860,239	\$ 1,590,719	\$ 458,549	\$ (2,769,431)
Public safety.....	9,635,249	1,373,843	607,162	-	(7,654,244)
Education.....	46,682,837	730,699	12,404,274	11,400,000	(22,147,864)
Public works.....	8,717,806	138,900	25,671	860,172	(7,693,063)
Water.....	2,112,065	2,628,421	-	-	516,356
Sewer.....	4,271,320	3,699,114	-	-	(572,206)
Human services.....	1,633,960	63,884	160,165	-	(1,409,911)
Culture and recreation.....	3,541,267	575,407	1,026,700	21,050	(1,918,110)
Interest.....	<u>2,888,872</u>	<u>-</u>	<u>652,117</u>	<u>-</u>	<u>(2,236,755)</u>
Total Governmental Activities.....	\$ <u>85,162,314</u>	\$ <u>10,070,507</u>	\$ <u>16,466,808</u>	\$ <u>12,739,771</u>	\$ <u>(45,885,228)</u>

See notes to basic financial statements.

(Continued)

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u>
<b>Changes in net assets:</b>	
Net (expense) revenue from previous page.....	\$ <u>(45,885,228)</u>
<i>General revenues:</i>	
Real estate and personal property taxes, net of tax refunds payable.....	45,116,928
Tax liens.....	58,941
Motor vehicle excise taxes.....	1,884,221
Hotel/motel tax.....	291,372
Community preservation tax.....	1,135,525
Penalties and interest on taxes.....	128,365
Payments in lieu of taxes.....	1,347,828
Grants and contributions not restricted to specific programs.....	1,648,039
Unrestricted investment income.....	<u>1,106,965</u>
 Total general revenues.....	 <u>52,718,184</u>
 Change in net assets.....	 6,832,956
 <i>Net Assets:</i>	
Beginning of year.....	<u>140,997,983</u>
 End of year.....	 \$ <u><u>147,830,939</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2009

<b>ASSETS</b>	General	High School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,267,245	\$ 1,202,749	\$ 20,486,012	\$ 35,956,006
Investments.....	101,676	-	2,765,716	2,867,392
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	412,346	-	-	412,346
Tax liens.....	397,403	-	-	397,403
Motor vehicle excise taxes.....	114,549	-	-	114,549
User fees.....	856,223	-	1,135,608	1,991,831
Departmental and other.....	103,627	-	88,497	192,124
Intergovernmental.....	16,273,693	11,400,000	2,199,317	29,873,010
Tax foreclosures.....	53,769	-	-	53,769
<b>TOTAL ASSETS.....</b>	<b>\$ 32,580,531</b>	<b>\$ 12,602,749</b>	<b>\$ 26,675,150</b>	<b>\$ 71,858,430</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 1,236,665	\$ 240,950	\$ 602,044	\$ 2,079,659
Accrued payroll.....	1,460,006	-	-	1,460,006
Health claims payable.....	85,000	-	-	85,000
Tax refunds payable.....	924,632	-	-	924,632
Liabilities due depositors.....	636,839	-	-	636,839
Other liabilities.....	1,131,201	-	-	1,131,201
Deferred revenues.....	18,040,024	-	3,103,725	21,143,749
Notes payable.....	-	11,400,000	-	11,400,000
<b>TOTAL LIABILITIES.....</b>	<b>23,514,367</b>	<b>11,640,950</b>	<b>3,705,769</b>	<b>38,861,086</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations.....	2,172,960	-	-	2,172,960
Perpetual permanent funds.....	-	-	465,301	465,301
Unreserved:				
Designated for subsequent year's expenditures....	3,055,000	-	-	3,055,000
Undesignated, reported in:				
General fund.....	3,838,204	-	-	3,838,204
Special revenue funds.....	-	-	19,945,277	19,945,277
Capital projects funds.....	-	961,799	2,208,042	3,169,841
Permanent funds.....	-	-	350,761	350,761
<b>TOTAL FUND BALANCES.....</b>	<b>9,066,164</b>	<b>961,799</b>	<b>22,969,381</b>	<b>32,997,344</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 32,580,531</b>	<b>\$ 12,602,749</b>	<b>\$ 26,675,150</b>	<b>\$ 71,858,430</b>

See notes to basic financial statements.

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

JUNE 30, 2009

Total governmental fund balances.....		\$ 32,997,344
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		171,072,362
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		21,143,749
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,507,500)
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.....	(71,343,040)	
Compensated absences.....	(1,453,000)	
Other post-employment benefits.....	(3,078,976)	
Net effect of reporting long-term liabilities.....		(75,875,016)
Net assets of governmental activities.....		\$ 147,830,939

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	High School	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 45,133,746	\$ -	\$ -	\$ -	\$ 45,133,746
Motor vehicle excise taxes.....	2,192,527	-	-	-	2,192,527
Community preservation tax.....	-	-	-	1,133,730	1,133,730
Charges for services.....	2,497,839	-	-	3,513,827	6,011,666
Penalties and interest on taxes.....	128,365	-	-	-	128,365
Payments in lieu of taxes.....	1,347,828	-	-	-	1,347,828
Intergovernmental.....	11,798,996	11,400,000	318,137	4,735,422	28,252,555
Departmental and other.....	3,291,520	-	-	3,275,897	6,567,417
Contributions.....	-	-	-	1,058,255	1,058,255
Investment income.....	973,211	-	-	133,754	1,106,965
<b>TOTAL REVENUES.....</b>	<b>67,364,032</b>	<b>11,400,000</b>	<b>318,137</b>	<b>13,850,885</b>	<b>92,933,054</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	3,203,398	-	-	4,205,629	7,409,027
Public safety.....	5,620,092	-	-	733,665	6,353,757
Education.....	30,478,656	6,274,069	318,137	3,408,944	40,479,806
Public works.....	5,571,034	-	-	720,670	6,291,704
Water.....	1,263,638	-	-	507,315	1,770,953
Sewer.....	617,960	-	-	45,569	663,529
MWRA assessment.....	2,779,636	-	-	-	2,779,636
Human services.....	1,051,440	-	-	55,727	1,107,167
Culture and recreation.....	1,217,342	-	-	1,681,457	2,898,799
Pension benefits.....	7,485,653	-	-	-	7,485,653
Employee benefits.....	6,367,894	-	-	-	6,367,894
State and county charges.....	259,662	-	-	-	259,662
Debt service:					
Principal.....	4,268,572	6,675,000	-	-	10,943,572
Interest.....	3,296,072	-	-	-	3,296,072
<b>TOTAL EXPENDITURES.....</b>	<b>73,481,049</b>	<b>12,949,069</b>	<b>318,137</b>	<b>11,358,976</b>	<b>98,107,231</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(6,117,017)</b>	<b>(1,549,069)</b>	<b>-</b>	<b>2,491,909</b>	<b>(5,174,177)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of debt.....	-	-	-	3,454,000	3,454,000
Proceeds from refunding bonds.....	-	25,325,000	-	410,000	25,735,000
Payments of current refunded debt.....	-	(25,325,000)	-	(410,000)	(25,735,000)
Transfers in.....	5,879,887	565,000	-	250,000	6,694,887
Transfers out.....	(815,000)	-	-	(5,879,887)	(6,694,887)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>5,064,887</b>	<b>565,000</b>	<b>-</b>	<b>(2,175,887)</b>	<b>3,454,000</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(1,052,130)</b>	<b>(984,069)</b>	<b>-</b>	<b>316,022</b>	<b>(1,720,177)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>10,118,294</b>	<b>1,945,868</b>	<b>-</b>	<b>22,653,359</b>	<b>34,717,521</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 9,066,164</b>	<b>\$ 961,799</b>	<b>\$ -</b>	<b>\$ 22,969,381</b>	<b>\$ 32,997,344</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds.....	\$	(1,720,177)
<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.....		11,077,304
Depreciation expense.....		<u>(6,139,183)</u>
Net effect of reporting capital assets.....		4,938,121
<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>		
		(937,784)
<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.....		(3,454,000)
Debt service principal payments.....		<u>10,943,572</u>
Net effect of reporting long-term debt.....		7,489,572
<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.....		(265,000)
Net change in accrued interest on long-term debt.....		407,200
Other post-employment benefits.....		<u>(3,078,976)</u>
Net effect of recording long-term liabilities.....		<u>(2,936,776)</u>
Change in net assets of governmental activities.....	\$	<u><u>6,832,956</u></u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 42,517	\$ 710,906
Investments.....	27,774	-
TOTAL ASSETS.....	<u>70,291</u>	<u>710,906</u>
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	710,906
TOTAL LIABILITIES.....	<u>-</u>	<u>710,906</u>
<b>NET ASSETS</b>		
Held in trust for other purposes.....	\$ <u>70,291</u>	\$ <u>-</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Interest (loss).....	\$ <u>(1,375)</u>
<u>DEDUCTIONS:</u>	
Charitable gifts.....	<u>3,902</u>
CHANGE IN NET ASSETS.....	(5,277)
NET ASSETS AT BEGINNING OF YEAR.....	<u>75,568</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>70,291</u></u>

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

**B. Jointly Governed Organizations**

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

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

All of the District projects have been completed, all debt issued by the District has been retired and all of the liabilities of the District have been satisfied. Consequently, termination of the District can now occur by vote of the commissioners. Upon termination of the District, all funds and other properties owned by the District will revert to the Town.

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

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

*Governmental activities* are primarily supported by taxes and intergovernmental revenues.

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and

trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town maintains one human service private purpose trust fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund is comprised of performance bonds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### E. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

#### ***Real Estate, Personal Property Taxes and Tax Liens***

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

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

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

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

#### ***Motor Vehicle Excise***

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

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

***User Fees***

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

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

***Departmental and Other***

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

***Intergovernmental***

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

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

**G. Inventories*****Government-Wide and Fund Financial Statements***

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

**H. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

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

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

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

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

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

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

*Governmental Fund Financial Statements*

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

I. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Deferred Revenue

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

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

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

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

Net assets have been “restricted for” the following:

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

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

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

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

*Fund Financial Statements (Fund Balances)*

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

Fund balances have been “reserved for” the following:

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

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

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2010 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. 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.

Q. 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. The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

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 \$30,310,666 and the bank balance totaled \$33,020,092. Of the bank balance, \$6,567,140 was covered by Federal Depository Insurance, \$361,548 was covered by the Depositors' Insurance Fund, \$11,638,339 was collateralized and \$14,453,065 was subject to custodial credit risk because it was uninsured and uncollateralized.

The Town utilizes Veribanc services to monitor its cash and investment accounts on a quarterly basis.

Investments

As of June 30, 2009, the Town had the following investments:

Investment Type	Fair Value	Maturity	
		Under 1 Year	1-5 Years
<u>Debt Securities</u>			
U.S. Treasury Notes..... \$	34,255	\$ 20,755	\$ 13,500
Government Sponsored Enterprises....	1,841,021	1,156,733	684,288
Corporate bonds.....	138,528	-	138,528
Total Debt Securities.....	2,013,804	\$ 1,177,488	\$ 836,316
<u>Other Investments</u>			
Equity Securities.....	881,362		
Money Market Mutual Funds.....	2,276,587		
MMDT.....	4,122,176		
Total Investments..... \$	9,293,929		

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 securities that are in the possession of the outside party. Of the Town’s investments, \$34,255 in U.S. Treasury Notes, \$1,841,021 in Government Sponsored Enterprises, \$138,528 in Corporate Bonds, and \$881,362 in equity securities, \$500,000 is covered by Securities Investor Protection Corporation and \$2,381,666 is covered by Customer Asset Protection Corporation, however there is no coverage for losses due to market fluctuations. The Town does not have any custodial credit risk exposure on \$13,500 in U.S. Treasury Notes because they are held by the Town and the \$4,122,176 in shares of MMDT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Town does not have a formal policy relating to custodial credit risk for investments.

Interest Rate Risk

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

Credit Risk

The Town does not have a formal policy relating to credit risk. All of the Town’s investments in U.S. Treasury Notes and Government Sponsored Enterprises are rated AAA, while the Corporate bonds are rated A1.

Concentration of Credit Risk

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

**NOTE 3 - RECEIVABLES**

At June 30, 2009, 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.....	\$ 412,346	\$ -	\$ 412,346
Tax liens.....	397,403	-	397,403
Motor vehicle excise taxes.....	136,609	(22,060)	114,549
User fees.....	1,991,831	-	1,991,831
Departmental and other.....	215,554	(23,430)	192,124
Intergovernmental.....	29,873,010	-	29,873,010
Total.....	<u>\$ 33,026,753</u>	<u>\$ (45,490)</u>	<u>\$ 32,981,263</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 240,760	\$ -	\$ 240,760
Tax liens.....	397,403	-	397,403
Motor vehicle excise taxes.....	114,549	-	114,549
User fees.....	856,223	1,135,608	1,991,831
Departmental and other.....	103,627	88,497	192,124
Intergovernmental.....	16,273,693	1,879,620	18,153,313
Tax foreclosures.....	53,769	-	53,769
Total.....	<u>\$ 18,040,024</u>	<u>\$ 3,103,725</u>	<u>\$ 21,143,749</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 20,860,515	\$ 3,320,000	\$ -	\$ 24,180,515
Construction in progress.....	44,994,243	6,305,409	(51,299,652)	-
Total capital assets not being depreciated.....	<u>65,854,758</u>	<u>9,625,409</u>	<u>(51,299,652)</u>	<u>24,180,515</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	82,337,805	51,664,282	-	134,002,087
Machinery and equipment.....	3,577,757	273,572	-	3,851,329
Vehicles.....	6,060,772	527,416	-	6,588,188
Infrastructure.....	94,046,223	286,277	-	94,332,500
Total capital assets being depreciated.....	<u>186,022,557</u>	<u>52,751,547</u>	<u>-</u>	<u>238,774,104</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(25,759,988)	(3,496,160)	-	(29,256,148)
Machinery and equipment.....	(2,381,170)	(368,112)	-	(2,749,282)
Vehicles.....	(3,607,946)	(430,939)	-	(4,038,885)
Infrastructure.....	(53,993,971)	(1,843,971)	-	(55,837,942)
Total accumulated depreciation.....	<u>(85,743,074)</u>	<u>(6,139,183)</u>	<u>-</u>	<u>(91,882,257)</u>
Total capital assets being depreciated, net.....	<u>100,279,483</u>	<u>46,612,364</u>	<u>-</u>	<u>146,891,847</u>
Total governmental activities capital assets, net.....	<u>\$ 166,134,241</u>	<u>\$ 56,237,773</u>	<u>\$ (51,299,652)</u>	<u>\$ 171,072,362</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 494,751
Public safety.....	366,808
Education.....	2,371,317
Public works.....	1,290,218
Water.....	450,416
Sewer.....	938,417
Culture and recreation.....	<u>227,256</u>
Total depreciation expense - governmental activities.....	<u>\$ 6,139,183</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	High School	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 565,000	\$ 250,000	\$ 815,000 (1)
Nonmajor Sewer Fund.....	3,746,240	-	-	3,746,240 (2)
Nonmajor Other Governmental Funds...	2,133,647	-	-	2,133,647 (3)
Total.....	\$ <u>5,879,887</u>	\$ <u>565,000</u>	\$ <u>250,000</u>	\$ <u>6,694,887</u>

- (1) Represents a transfer of \$250,000 to the stabilization fund, and a \$565,000 transfer to the high school major fund to assist in the pay down of high school BANS.
- (2) Represents transfer from the sewer fund to the general fund.
- (3) Represents transfers from the 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, 2009, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
GAN	High School Renovation.....	2.50%	7/29/2009	\$ -	\$ 11,400,000	\$ -	\$ 11,400,000
GAN	High School Renovation.....	4.25%	7/24/2008	10,000,000	-	10,000,000	-
Total.....				\$ 10,000,000	\$ 11,400,000	\$ 10,000,000	\$ 11,400,000

In July 2009, the Town paid down \$8 million of the outstanding GANS with grant funds received from the MSBA and the remaining \$3.4 million was renewed until July 2010.

**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".

The Town classified \$32,410,000 of BANS outstanding at June 30, 2008 as a long-term liability. During fiscal year 2009, the Town retired \$6,675,000 of these BANS with grant proceeds and re-issue \$25,735,000 of long-term BANS that matured in July 2009. Accordingly, this transaction has been recorded as a current refunding and did not have an economic gain or loss.

In July 2009, the Town issued \$15,885,000 of long-term general obligation bonds that were used to refinance \$15,135,000 of the fiscal year 2008 long-term BANS and \$750,000 of short-term BANS issued during fiscal year 2009.

In July 2009, the Town issued \$13,539,000 of BANS due in July 2010 with a 1.5% interest rate. The proceeds were used to refinance \$10,035,000 of the fiscal year 2008 long-term BANS, refinance \$2,704,000 of new BANS issued in fiscal year 2009 and finance \$800,000 of new fiscal year 2010 capital appropriations.

In July 2009, the Town used \$565,000 of available funds in the high school capital projects fund to retire a portion of the \$10,600,000 long-term BAN outstanding at June 30, 2009.

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

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

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Building Construction - School.....	4.40	\$ 6,571,495	\$ -	\$ 660,445	\$ 5,911,050
Building Remodeling - School.....	4.40	500,000	-	50,000	450,000
Land Acquisition.....	4.40	428,000	-	53,500	374,500
Engineering Services - School.....	4.40	210,505	-	21,055	189,450
Building Addition - School.....	5.40	7,165,000	-	555,000	6,610,000
Traffic Signal Installation.....	5.40	70,000	-	25,000	45,000
Water Bonds-MWRA.....	0.00	174,472	-	43,618	130,854
Water Bonds-MWRA.....	0.00	100,000	-	20,000	80,000
Building Construction - Public Works.....	4.05	1,825,000	-	135,000	1,690,000
Building Construction - School.....	4.11	10,975,000	-	735,000	10,240,000
Land Acquisition.....	3.97	213,100	-	17,200	195,900
Land Acquisition.....	3.97	306,900	-	24,550	282,350
Land Acquisition.....	3.97	325,000	-	25,000	300,000
Land Acquisition.....	3.97	355,000	-	28,250	326,750
Engineering Services - Public Works.....	4.05	308,890	-	22,222	286,668
Building Construction - Public Works.....	4.05	316,110	-	22,778	293,332
Building Remodeling - Town Hall.....	3.30	935,000	-	315,000	620,000
Outdoor Recreation Facility.....	3.50	300,000	-	300,000	-
Architectural Services Building - School.....	3.50	130,000	-	130,000	-
Building Remodeling - Municipal.....	3.80	2,675,000	-	175,000	2,500,000
Land Acquisition.....	3.83	1,125,000	-	75,000	1,050,000
Building Construction - Public Works.....	3.82	3,940,000	-	275,000	3,665,000
Sewer Bonds-MWRA.....	0.00	49,720	-	24,860	24,860
Water Equipment.....	3.74	385,000	-	60,000	325,000
Water Mains.....	3.96	1,690,000	-	90,000	1,600,000
Water Bonds-MWRA.....	0.00	344,190	-	38,244	305,946
High School Renovation.....	3.90	2,115,000	-	135,000	1,980,000
Land Acquisition.....	3.90	375,000	-	25,000	350,000
Town Center Facility.....	3.92	1,985,000	-	125,000	1,860,000
Town Hall Remodeling.....	3.93	365,000	-	25,000	340,000
Sewer Bonds-MWRA.....	0.00	80,080	-	20,020	60,060
Sewer Bonds-MWRA.....	0.00	84,150	-	16,830	67,320
High School Renovation.....	4.23	14,725,000	14,725,000	14,725,000	14,725,000
Fire Pumper.....	3.60	410,000	410,000	410,000	410,000
Road Resurfacing.....	2.50	-	750,000	-	750,000
High School Renovation - Long-term BAN.....	2.50	17,275,000	10,600,000	17,275,000	10,600,000
Water Mains - Long-term BAN.....	2.50	-	475,000	-	475,000
Water Standpipe - Long-term BAN.....	2.94	-	150,000	-	150,000
Sewer Expansion - Long-term BAN.....	2.50	-	339,000	-	339,000
Road Resurfacing - Long-term BAN.....	2.50	-	700,000	-	700,000
Shawsheen Well - Long-term BAN.....	1.45	-	100,000	-	100,000
Middlesex Turnpike - Long-term BAN.....	1.45	-	930,000	-	930,000
Water Design - Long-term BAN.....	1.45	-	10,000	-	10,000
Total bonds and notes payable.....		\$ 78,832,612	\$ 29,189,000	\$ 36,678,572	\$ 71,343,040

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 4,093,571	\$ 2,175,553	\$ 6,269,124
2011.....	* 18,242,711	2,309,992	20,552,703
2012.....	4,593,711	2,059,127	6,652,838
2013.....	4,495,073	1,886,716	6,381,789
2014.....	4,268,243	1,712,019	5,980,262
2015.....	4,168,243	1,530,295	5,698,538
2016.....	4,118,243	1,344,269	5,462,512
2017.....	4,053,245	1,160,615	5,213,860
2018.....	4,015,000	977,396	4,992,396
2019.....	3,290,000	791,938	4,081,938
2020.....	3,280,000	640,650	3,920,650
2021.....	3,280,000	492,493	3,772,493
2022.....	2,635,000	363,469	2,998,469
2023.....	2,465,000	251,316	2,716,316
2024.....	1,610,000	149,545	1,759,545
2025.....	990,000	92,000	1,082,000
2026.....	965,000	52,500	1,017,500
2027.....	780,000	15,600	795,600
Totals.....	\$ <u>71,343,040</u>	\$ <u>18,005,493</u>	\$ <u>89,348,533</u>

\*Includes the retirement of \$13.3 million of BANs which have been classified as long-term debt.

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. At June 30, 2009, the outstanding principal amount of these loans totaled \$669,040.

The Commonwealth has approved school construction assistance for the Town under two different financing programs. The first assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for construction costs and debt service interest of general obligation school bonds outstanding over the life of the bond. During fiscal year 2009, \$1,795,835 of such assistance was received. Approximately \$20,173,000 will be received in future fiscal years. Of this amount, approximately \$3,899,000 represents reimbursement of long-term interest costs, and \$16,274,000 represents reimbursement of approved construction costs which has been recorded as intergovernmental receivable and deferred revenue in the general fund.

For all new projects, the MSBA is now financing their share of allowable construction costs as they occur. The Town has substantially completed and opened the new high school during fiscal year 2009. The MSBA shares approximately 48% of the costs and at June 30, 2009 the Town has recorded an \$11,400,000 MSBA intergovernmental receivable and revenue in the new high school capital projects fund. Subsequent to year end, the Town received \$8,000,000 of grant proceeds and expects to receive the balance during fiscal year 2010.

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, 2009, the Town had the following authorized and unissued debt:

Purpose	Amount
Middle School.....	\$ 229
Middlesex Turnpike.....	1,360,000
Land Acquisition.....	4,000
Water Standpipe Painting.....	410,000
Water Bonds.....	10,000
Water Main.....	1,550,000
Infiltration/Inflow Program.....	854,027
Bedford High School.....	23,410,330
Shawsheen Well Replacement.....	100,000
Sewer System Expansion.....	341,000
Road Resurfacing.....	2,500,000
Fire Mini Pumper.....	218,000
Drainage Improvement.....	180,000
<b>Total.....</b>	<b>\$ 30,937,586</b>

**Changes in Long-term Liabilities**

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Long-Term Bonds and Notes.....	\$ 78,832,612	\$ 29,189,000	\$ (36,678,572)	\$ 71,343,040	\$ 4,093,571
Other Post-Employment Benefits.....	-	4,523,142	(1,444,166)	3,078,976	-
Compensated Absences.....	1,188,000	1,007,000	(742,000)	1,453,000	985,000
<b>Total.....</b>	<b>\$ 80,020,612</b>	<b>\$ 34,719,142</b>	<b>\$ (38,864,738)</b>	<b>\$ 75,875,016</b>	<b>\$ 5,078,571</b>

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, 2009, \$3,027,756 was set aside in a stabilization fund, which is classified as a non-major governmental fund in the fund based financial statements. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

Pension Fund

The Town has \$1,442,284 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, 2009, the cumulative amount of approximately \$1,962,348 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, 2009 the incurred-but-not-reported claims totaled \$85,000. This estimate is based on actual claims paid. Changes in the reported liability since July 1, 2007 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 2008.....	\$ 64,000	\$	756,609	\$	(751,609)	\$	69,000
Fiscal Year 2009.....	69,000		918,525		(902,525)		85,000

**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 \$5,069,000 for the fiscal year ended June 30, 2009, 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, 2009, 2008, and 2007 were approximately \$2,416,000, \$2,156,000 and \$1,927,000, respectively, which equaled its required contribution for each fiscal year.

#### **NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2009 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Post-Employment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

*Plan Description* – The Town of Bedford administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For fiscal year 2009, the Town's age weighted contributions was \$1,444,166 to the plan, and member actual contributions totaled \$1,053,000.

*Annual OPEB Cost and Net OPEB Obligation* – The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Normal cost.....	\$	2,396,290
Amortization of unfunded actuarial accrued liability.....		2,039,017
*Adjustment for timing.....		87,835
Annual OPEB cost (expense).....		<u>4,523,142</u>
Contributions made.....		<u>(1,444,166)</u>
Increase in net OPEB obligation.....		3,078,976
Net OPEB obligation--beginning of year.....		<u>-</u>
Net OPEB obligation--end of year.....	\$	<u><u>3,078,976</u></u>

\*Assumes payment in the middle of the fiscal year.

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 4,523,142	32%	\$ 3,078,976

*Funded Status and Funding Progress* – As of June 30, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$61.2 million, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation the actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.0% per year. The remaining amortization period at June 30, 2009 is 29 years.

**NOTE 12 - COMMITMENTS**

The Town has no significant commitments as of June 30, 2009.

**NOTE 13 - CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, 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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

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

During fiscal year 2009, the following GASB pronouncements were implemented:

- The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. This pronouncement has significantly impacted the basic financial statements.
- The GASB issued Statement #55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was implemented in fiscal year 2009. The basic financial statements were not impacted by this pronouncement.
- The GASB issued Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. This pronouncement did not significantly impact the basic financial statements.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

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## EDWARDS ANGELL PALMER &amp; DODGE LLP

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

(Date of Delivery)

Victor Garofalo, Treasurer  
Town of Bedford  
Bedford, Massachusetts

\$2,775,000  
Town of Bedford, Massachusetts  
General Obligation Refunding Bonds  
Dated April 1, 2010

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, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

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. Except as expressed in paragraph 4 below, 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.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

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

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

Edwards Angell Palmer & Dodge LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Town of Bedford, Massachusetts (the "Issuer") in connection with the issuance of its \$2,775,000 General Obligation Refunding Bonds dated April 1, 2010 (the "Bonds"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer 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 Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

SECTION 4. Content of Annual Reports. The Issuer'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 Issuer's Official Statement dated March 24, 2010 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, and (vi) pension obligations of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, 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 Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

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

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

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer 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 Issuer), 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 Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer 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 Issuer to comply

with this Disclosure Certificate shall be an action for specific performance of the Issuer'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: April 8, 2010

TOWN OF BEDFORD,  
MASSACHUSETTS

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

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