

**TOWN OF BEDFORD,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2003

TOWN OF BEDFORD, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council and Town Manager
Town of Bedford
Bedford, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bedford as of and for the year ended December 31, 2003 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's 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. 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bedford as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, as of January 1, 2003, the Town has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bedford's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 11, 2004

*Plodzik & Sanderson
Professional Association*

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial activities of the Town of Bedford (the Town) for the year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information included with the Town's financial statements, which follow this section.

Because this is the first year that the Town has implemented the new reporting provisions of the Governmental Accounting Standards Board's Statement No. 34 (GASB 34), this discussion and analysis provides limited comparisons to prior years. However, in future years, as will be required, comparisons will be more meaningful and will go further into explaining the Town's financial position and changes in financial position.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-Wide Highlights:

- **Net Assets:** The total assets of the Town exceeded total liabilities at year ending December 31, 2003 by \$22.98 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government (a condensed Statement can be seen in this MD&A section of this report). Of this amount, \$11.67 million was reported as undesignated. Undesignated net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.
- **Changes in Net Assets:** The Town's total net assets increased by \$2 million, or 9.5% in year 2003. Net assets of governmental activities increased by \$1.9 million (11.6%), while net assets of the business-type activities showed an increase of \$0.1 million (2%).

Fund Highlights:

Governmental Funds: Fund Balances – As of the close of year 2003, the Town's governmental funds reported a combined ending fund balance of \$12.4 million, an increase of \$8.5 million in comparison to the prior year. Included in the combined governmental fund balance is the activity of the Town's General Fund (\$3.7m), Capital Projects Fund (\$6.4m), and other Governmental Funds (\$2.3m). The General Fund ended the year with an undesignated fund balance of \$2.38 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components:

- Government-Wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's finances. These statements (Statement of Net Assets and the Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the year even if cash has not been received or paid.

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS

- The *Statement of Net Assets*, found on page 9 presents all of the Town’s non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as “net assets” instead of fund equity as shown on the Fund Statements. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *Statement of Activities*, found on page 10 presents information showing how the Town’s net assets changed during the most recent 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 not result in cash flows until future periods (such as uncollected taxes and licenses). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the government-wide financial statements have separate sections for two different types of Town activities. These two types of activities are:

- *Governmental Activities*: The activities in this section represent most of the Town’s basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the Town include general government, police and fire protection, administration of public works, planning and assessing functions, and culture and recreation. Other governmental activities include special revenue and capital projects funds.
- *Business-Type Activities*: These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of the goods and services. These business-type activities of the Town include the operation of:
 - Sewer Department,
 - Day Camp,
 - Police Special Detail, and
 - Bedford Community Television

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. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the Town government, and report the Town’s operations in more detail than the government-wide statements. The Town’s funds are divided into 3 categories – governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with combining schedules in the Supplementary Section to support the Non-Major activities. Fiduciary Funds are reported by fiduciary type (trust and agency).

- *Governmental Funds*: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified-accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. The basic governmental fund financial statements can be found beginning on page 11.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can be found on pages 12 and 14.

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS

The Town's two major governmental funds are the General Fund and the Capital Projects Fund.

Individual fund data for each of the Town's non-major governmental funds (Special Revenue and Permanent Funds) are provided in the combining statements found on pages 45 and 46.

- *Proprietary Funds:* The Town's proprietary funds provide goods and services to the general public and charge a user fee. These activities are reported in enterprise funds. They include the operations of the Sewer Department, Bedford Community Television (BCTV), Police Special Detail and Recreation Day Camp.

Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary funds financial statements can be found on pages 15 through 17.

- *Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting. The Town's fiduciary funds found on pages 18 and 19 include the:
 - Agency Funds (which account for the resources held in a pure custodial capacity)
 - Private Purpose Trust Funds (which account for activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 21.

Required Supplementary Information (RSI)

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's general fund on page 38, and includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements in the notes to RSI on page 40.

Other Supplementary Information

Other supplementary information includes combining and individual fund financial statements and schedules for the general fund and non-major governmental funds.

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The Town’s combined net assets (government and business-type activities) totaled \$22.98 million at the end of 2003, which increased by \$2 million when compared to the end of the previous year.

Financial Position

The following is a summary of condensed government-wide financial data of net assets for the current fiscal year. Because fiscal year 2003 was the first year of GASB 34 implementation, prior year comparative data was not available for presentation. Comparative information will be provided in future years.

**TOWN OF BEDFORD
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 26,537,946	\$ 922,798	\$ 27,460,744
Capital Assets	21,493,670	5,215,320	26,708,990
Other Assets	-	153,602	153,602
Total Assets	48,031,616	6,291,720	54,323,336
Current Liabilities	15,587,939	357,660	15,945,599
Noncurrent Liabilities	14,111,593	1,284,098	15,395,691
Total Liabilities	29,699,532	1,641,758	31,341,290
Net Assets			
Invested in Capital Assets, <i>net of related debt</i>	7,523,670	3,762,374	11,286,044
Restricted	25,243	-	25,243
Unrestricted	10,783,171	887,588	11,670,759
Total Net Assets	\$ 18,332,084	\$ 4,649,962	\$ 22,982,046

A large portion of the Town’s net assets (49%) reflects its investment in capital assets such as land, buildings and equipment, less any related outstanding debt used to acquire those assets. Although the Town’s investment in its capital assets is reported net of 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 generally cannot be used to liquidate these liabilities.

The balance of unrestricted net assets \$11.67 million may be used to meet the government’s ongoing obligations to its citizens and creditors.

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS

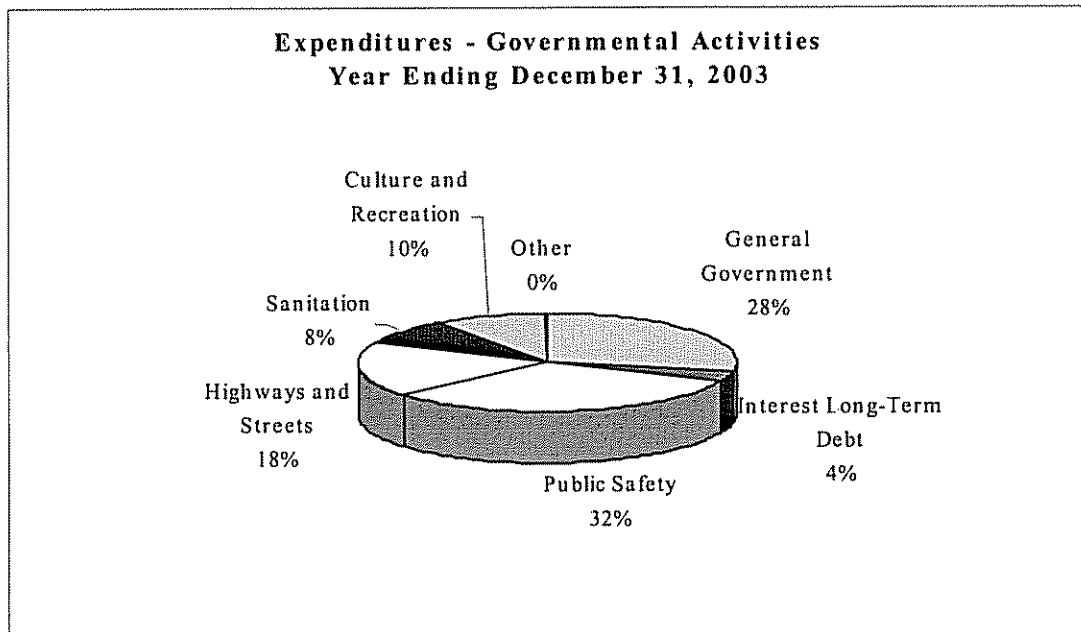
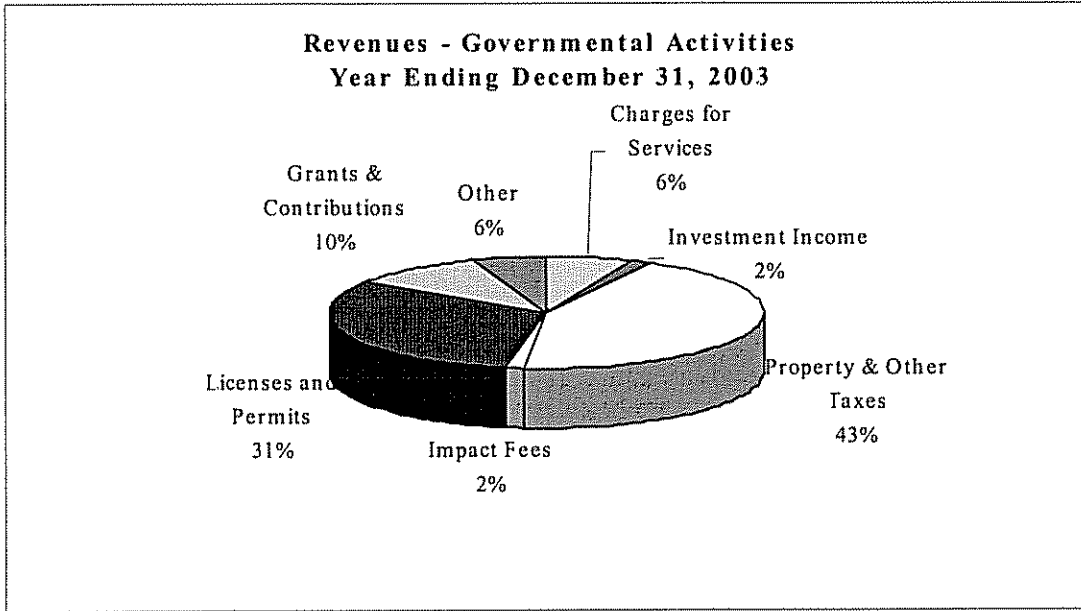
Financial Results

The following is a summary of condensed government-wide financial data of changes in net assets for the current fiscal year. Because fiscal year 2003 was the first year of GASB 34 implementation, prior year comparative data was not available for presentation. Comparative information will be provided in future years.

**TOWN OF BEDFORD, NH
STATEMENT OF CHANGE IN NET ASSETS
DECEMBER 31, 2003**

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues			
Charges for Services	\$ 932,469	\$ 1,336,612	\$ 2,269,081
Grants and Contributions	683,443	18,854	702,297
General Revenues			
Property Taxes	5,860,520	-	5,860,520
Other Taxes	494,844	-	-
Licenses and Permits	4,576,504	-	4,576,504
Grants and Contributions - unrestricted	780,921	-	780,921
Impact Fees	236,254	-	236,254
Investment Income	251,829	-	251,829
Gain on Sale of Capital Assets	92,000	-	92,000
Other	714,706	-	714,706
Total Revenues	14,623,490	1,355,466	15,978,956
Expenses:			
General Government	3,600,130	-	3,600,130
Public Safety	4,103,048	-	4,103,048
Highways and Streets	2,356,782	-	2,356,782
Sanitation	1,080,225	-	1,080,225
Welfare	21,742	-	21,742
Culture and Recreation	1,231,989	-	1,231,989
Economic Development	3,051	-	3,051
Interest on Long-Term Debt	460,766	-	460,766
Police Special Detail	-	331,649	331,649
Recreation Day Camp	-	81,094	81,094
Bedford Community Television	-	112,461	112,461
Sewer Department	-	594,427	594,427
Total Expenses	12,857,733	1,119,631	13,977,364
Change in Net Assets before Transfers	1,765,757	235,835	2,001,592
Transfers In (Out)	145,500	(145,500)	-
Change in Net Assets	1,911,257	90,335	2,001,592
Net Assets - beginning of year	16,420,827	4,559,627	20,980,454
Net Assets - end of year	\$ 18,332,084	\$ 4,649,962	\$ 22,982,046

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL ANALYSIS OF THE TOWN'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 the Town's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the Town's 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 year.

TOWN OF BEDFORD – MANAGEMENT DISCUSSION AND ANALYSIS

General Fund

The general fund is the chief operating fund of the Town. At the end of the current year, the general fund had an unreserved, undesignated balance of \$2.38 million, while total fund balance was \$3.73 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. Undesignated fund balance represents 16% of total general fund expenditures, while total fund balance represents 25% of total expenditures.

The undesignated fund balance of the general fund decreased by \$365,308 during the current year. The reduction in undesignated fund balance is directly attributable to a voted use of the balance to offset the costs of the town-wide revaluation of property that took place during 2003. The Town voted to use \$415,000 from the undesignated fund balance in 2003 for this purpose. Due to savings realized elsewhere in the budget, the Town realized an increase in fund balance of \$49,692, thereby making the net decrease \$365,308.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the original adopted budget did not change.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its general government and business-type activities as of December 31, 2003, amounted to \$26.71 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, and equipment. Major capital asset acquisitions during the current year included the following:

- Emon Cyclone Fire Engine and a Ford Fire Command Vehicle with related equipment
- Centracom Police Radio Communications Console and related equipment, including portable digital radios
- Various heavy equipment and vehicles for Public Works including a 6-wheel dump truck, Chipper, Loader, Sweeper and Sidewalk Tractor

Debt Administration

At the end of the current year, the Town had total bonded debt outstanding of \$13.97 million, all of which was backed by the full faith and credit of the Town. During 2003, an \$8 million bond was issued for road reconstruction and rehabilitation.

Additional information on the Town's capital assets and long-term debt can be found in the notes to the financial statements on pages 31 and 33 respectively.

ECONOMIC CONDITIONS

Along with the state and other local municipalities, the Town's economy has remained stagnant with modest growth during 2003. Unemployment is expected to increase, however NH is expected to remain below both the US average and the New England average. In fact, according to the NH Department of Employment Security, the unemployment rate in Bedford has dropped from 3.60% to 3.10% at the end of 2003.

While the Town has not realized a steady growth of revenues as it had in past years, the reliance on our moderately growing tax base has added relative stability to the Town's revenue structure. Furthermore, the Town's ultra-conservative budgeting practices have significantly limited the need for a tax rate increase to pay for Town services.

For fiscal year 2004, the Town approved a \$16,418,921 operating budget, \$14,539,408 of which represents the general fund budget. This budget includes limited funding for a modified capital improvement program as well as the necessary funding to maintain Town services at their current levels.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all Bedford citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Bedford, Finance Department, 24 North Amherst Road, Bedford, New Hampshire, 03110.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 18,765,553	\$ 291,078	\$ 19,056,631
Investments	6,074,690		6,074,690
Receivables, net	1,528,889	202,021	1,730,910
Due from other governmental units	260,838	272,474	533,312
Internal balances	(157,225)	157,225	
Prepaid items	<u>65,201</u>		<u>65,201</u>
Total current assets	<u>26,537,946</u>	<u>922,798</u>	<u>27,460,744</u>
Noncurrent Assets			
Other receivables		129,888	129,888
Unamortized bond costs		23,714	23,714
Capital assets:			
Land	13,485,500	15,000	13,500,500
Land improvements	56,000		56,000
Buildings	5,494,900	2,767,591	8,262,491
Vehicles and equipment	4,847,007	48,707	4,895,714
Construction in progress	1,829,605		1,829,605
Sewer system		4,496,655	4,496,655
Less: allowance for depreciation	(4,219,342)	(2,112,633)	(6,331,975)
Net capital assets	21,493,670	5,215,320	26,708,990
Total noncurrent assets	<u>21,493,670</u>	<u>5,368,922</u>	<u>26,862,592</u>
TOTAL ASSETS	<u>\$ 48,031,616</u>	<u>\$ 6,291,720</u>	<u>\$ 54,323,336</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 521,170	\$ 19,510	\$ 540,680
Accrued payroll and benefits	176,881		176,881
Contract payable	20,318		20,318
Retainage payable	121,100		121,100
Accrued interest	211,518	26,928	238,446
Due to other governmental units	12,131,428		12,131,428
Unearned revenue	1,044,263	132,249	1,176,512
Bonds payable - current	1,340,000	178,973	1,518,973
Other liabilities	<u>21,261</u>		<u>21,261</u>
Total current liabilities	<u>15,587,939</u>	<u>357,660</u>	<u>15,945,599</u>
Noncurrent Liabilities			
General obligation bonds payable	12,630,000	1,273,973	13,903,973
Compensated absences	981,593	10,125	991,718
Accrued landfill postclosure care costs	500,000		500,000
Total noncurrent liabilities	<u>14,111,593</u>	<u>1,284,098</u>	<u>15,395,691</u>
TOTAL LIABILITIES	<u>\$ 29,699,532</u>	<u>\$ 1,641,758</u>	<u>\$ 31,341,290</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 7,523,670	\$ 3,762,374	\$ 11,286,044
Restricted net assets	25,243		25,243
Unrestricted net assets	<u>10,783,171</u>	<u>887,588</u>	<u>11,670,759</u>
TOTAL NET ASSETS	<u>\$ 18,332,084</u>	<u>\$ 4,649,962</u>	<u>\$ 22,982,046</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 3,600,130	\$ 130	\$	\$ (3,303,695)	\$	\$ (3,303,695)
Public safety	4,103,048	117,977		(3,625,099)		(3,625,099)
Highway and streets	2,356,782	413,670	147,252	(1,795,860)		(1,795,860)
Sanitation	1,080,225			(938,662)		(938,662)
Welfare	21,742			(18,142)		(18,142)
Culture and recreation	1,231,989	4,414		(1,096,546)		(1,096,546)
Conservation	3,051			(3,051)		(3,051)
Interest on long-term debt	460,766			(460,766)		(460,766)
Total Governmental Activities	<u>12,857,733</u>	<u>536,191</u>	<u>147,252</u>	<u>(11,241,821)</u>		<u>(11,241,821)</u>
Business-type activities:						
Police special detail	331,649				67,959	67,959
Recreation day camp	81,094				11,232	11,232
Bedford community television	112,461		18,854		14,875	14,875
Sewer department	594,427		18,854		141,769	141,769
Total business-type activities	<u>1,119,631</u>		<u>18,854</u>		<u>235,835</u>	<u>235,835</u>
Total Primary Government	<u>\$ 13,977,364</u>	<u>\$ 2,269,081</u>	<u>\$ 166,106</u>	<u>\$ (11,241,821)</u>	<u>\$ 235,835</u>	<u>\$ (11,005,986)</u>
General Revenues:						
Property taxes				\$ 5,860,520	\$	\$ 5,860,520
Other taxes				494,844		494,844
Licenses and permits				4,576,504		4,576,504
Grants/contributions - unrestricted				780,921		780,921
Impact fees				236,254		236,254
Investment income				251,829		251,829
Gain on sale of capital assets				92,000		92,000
Other				714,706		714,706
Transfers				145,500	(145,500)	
Total general revenues and transfers				<u>13,153,078</u>	<u>(145,500)</u>	<u>13,007,578</u>
Change in net assets				1,911,257	90,335	2,001,592
Net assets - beginning				16,420,827	4,559,627	20,980,454
Net assets - ending				<u>\$ 18,332,084</u>	<u>\$ 4,649,962</u>	<u>\$ 22,982,046</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT A-1
TOWN OF BEDFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2003

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 10,642,392	\$ 6,450,942	\$ 1,672,219	\$ 18,765,553
Investments	5,337,013		737,677	6,074,690
Receivables, net:				
Taxes	1,248,933			1,248,933
Accounts	271,416	2,856	5,684	279,956
Intergovernmental	260,838			260,838
Interfund receivable	16,670		85,767	102,437
Prepaid items	<u>65,201</u>			<u>65,201</u>
TOTAL ASSETS	<u>\$ 17,842,463</u>	<u>\$ 6,453,798</u>	<u>\$ 2,501,347</u>	<u>\$ 26,797,608</u>
LIABILITIES				
Accounts payable	\$ 494,431	\$ 26,739	\$	\$ 521,170
Accrued payroll and benefits	258,198			258,198
Intergovernmental payable	12,131,428			12,131,428
Contracts payable	20,318			20,318
Retainage payable	57,938	63,162		121,100
Interfund payable	85,197		174,465	259,662
Other current liability	21,261			21,261
Deferred revenue	<u>1,044,263</u>			<u>1,044,263</u>
Total liabilities	<u>14,113,034</u>	<u>89,901</u>	<u>174,465</u>	<u>14,377,400</u>
EQUITY				
Fund Balances:				
Reserved for encumbrances	1,348,406	492,416	66,607	1,907,429
Reserved for endowments			25,243	25,243
Reserved for special purposes		5,871,481	1,424,550	7,296,031
Unreserved:				
Designated for special purposes			810,482	810,482
Undesignated	<u>2,381,023</u>			<u>2,381,023</u>
Total equity	<u>3,729,429</u>	<u>6,363,897</u>	<u>2,326,882</u>	<u>12,420,208</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 17,842,463</u>	<u>\$ 6,453,798</u>	<u>\$ 2,501,347</u>	<u>\$ 26,797,608</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT A-2
TOWN OF BEDFORD, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets
December 31, 2003

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 12,420,208
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	\$ 25,713,012	
Less accumulated depreciation	<u>(4,219,342)</u>	
		21,493,670
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets:		
Receivables:	\$ 102,437	
Payables	<u>(102,437)</u>	
		-0-
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds	\$ 13,970,000	
Compensated absences	900,276	
Accrued landfill postclosure care costs	<u>500,000</u>	
		(15,370,276)
Interest on long-term debt is not accrued in governmental funds		<u>(211,518)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 18,332,084</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT A-3
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the Fiscal Year Ended December 31, 2003

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 6,260,167	\$	\$ 85,197	\$ 6,345,364
Licenses and permits	4,576,504			4,576,504
Intergovernmental	1,309,409	147,252		1,456,661
Charges for services	771,203		34,496	805,699
Miscellaneous	<u>959,599</u>	<u>54,833</u>	<u>424,618</u>	<u>1,439,050</u>
TOTAL REVENUES	<u>13,876,882</u>	<u>202,085</u>	<u>544,311</u>	<u>14,623,278</u>
EXPENDITURES				
Current:				
General government	3,393,902	17,777	61,346	3,473,025
Public safety	4,583,550		3,043	4,586,593
Highways and streets	2,666,862			2,666,862
Sanitation	1,080,225			1,080,225
Welfare	21,742			21,742
Culture and recreation	1,178,185		21,227	1,199,412
Conservation	3,051			3,051
Debt Service				
Principal	540,000			540,000
Interest	425,315			425,315
Capital outlay		<u>1,829,605</u>		<u>1,829,605</u>
TOTAL EXPENDITURES	<u>13,892,832</u>	<u>1,847,382</u>	<u>85,616</u>	<u>15,825,830</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,950)</u>	<u>(1,645,297)</u>	<u>458,695</u>	<u>(1,202,552)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of long-term debt		8,000,000		8,000,000
Premium on long-term debt		9,194		9,194
Interfund transfers in	720,615		325,070	1,045,685
Interfund transfers out	<u>(249,500)</u>		<u>(650,685)</u>	<u>(900,185)</u>
TOTAL OTHER FINANCING SOURCES AND USES	<u>471,115</u>	<u>8,009,194</u>	<u>(325,615)</u>	<u>8,154,694</u>
NET CHANGE IN FUND BALANCES	455,165	6,363,897	133,080	6,952,142
FUND BALANCES - BEGINNING	<u>3,274,264</u>		<u>2,193,802</u>	<u>5,468,066</u>
FUND BALANCES - ENDING	<u>\$ 3,729,429</u>	<u>\$ 6,363,897</u>	<u>\$ 2,326,882</u>	<u>\$ 12,420,208</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT A-4
TOWN OF BEDFORD, NEW HAMPSHIRE
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities*
For the Year Ended December 31, 2003

Net Change in Fund Balances - Governmental Funds \$ 6,952,142

*Amounts reported for governmental activities in the
statement of activities are different because*

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 as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

	Capital outlay expenditure	\$ 2,916,500	
	Depreciation expense	<u>(477,768)</u>	
			2,438,732

Transfers in and out between governmental funds are eliminated on the operating statement:

	Transfers in	\$ 900,185	
	Transfers out	<u>(900,185)</u>	
			-0-

Revenues in the statement of activities that do not require the use of current financial sources (8,982)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

	Issuance of bonds	\$ (8,000,000)	
	Payment of principal:		
	Bonds	540,000	
	Capital leases	<u>232,429</u>	
			(7,227,571)

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 governmental funds.

	Compensated absences payable increase	\$ (207,613)	
	Accrued interest expense increase	<u>(35,451)</u>	
			<u>(243,064)</u>

Changes in Net Assets of Governmental Activities \$ 1,911,257

The notes to financial statements are an integral part of this statement.

EXHIBIT B-1
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities		Totals
	Enterprise Funds		
	Sewer Fund	Non-Major Funds	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 196,840	\$ 94,238	\$ 291,078
Accounts receivable	178,564	23,457	202,021
Intergovernmental receivable	272,474		272,474
Due from other funds	157,225		157,225
Total current assets	805,103	117,695	922,798
Noncurrent assets:			
Deferred special assessments	129,888		129,888
Unamortized bond costs	23,714		23,714
Capital assets:			
Land	15,000		15,000
Buildings	2,767,591		2,767,591
Machinery and equipment	27,626	21,081	48,707
Sewer system	4,496,655		4,496,655
Less accumulated depreciation	<u>(2,103,099)</u>	<u>(9,534)</u>	<u>(2,112,633)</u>
Total capital assets (net of accumulated depreciation)	<u>5,203,773</u>	<u>11,547</u>	<u>5,215,320</u>
Total noncurrent assets	5,357,375	11,547	5,368,922
TOTAL ASSETS	\$ 6,162,478	\$ 129,242	\$ 6,291,720
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 7,860	\$ 11,650	\$ 19,510
Accrued interest	26,928		26,928
Unearned revenue	131,929	320	132,249
General obligation bonds-current	178,973		178,973
Total current liabilities	345,690	11,970	357,660
Noncurrent liabilities:			
General obligation bonds payable	1,273,973		1,273,973
Compensated absences	10,125		10,125
Total noncurrent liabilities	1,284,098		1,284,098
TOTAL LIABILITIES	\$ 1,629,788	\$ 11,970	\$ 1,641,758
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,750,827	\$ 11,547	\$ 3,762,374
Unrestricted	781,863	105,725	887,588
TOTAL NET ASSETS	\$ 4,532,690	\$ 117,272	\$ 4,649,962

The notes to financial statements are an integral part of this statement.

EXHIBIT B-2
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities		Totals
	Enterprise Funds		
	Sewer Fund	Non-Major Funds	
Operating Revenues:			
Charges for sales and services:			
Sewer	\$ 631,181	\$	\$ 631,181
Police detail fees		398,786	398,786
Day camp fees		92,026	92,026
Cable franchise fees		127,336	127,336
Special assessments	67,733		67,733
Other	18,428	1,122	19,550
Total operating revenues	<u>717,342</u>	<u>619,270</u>	<u>1,336,612</u>
Operating Expenses:			
Costs of sales and services	341,852	522,981	864,833
Administration	15,776		15,776
Depreciation	166,724	2,223	168,947
Total operating expenses	<u>524,352</u>	<u>525,204</u>	<u>1,049,556</u>
Operating income	<u>192,990</u>	<u>94,066</u>	<u>287,056</u>
Nonoperating revenues (expenses):			
Intergovernmental	18,854		18,854
Interest expense	(70,075)		(70,075)
Total nonoperating revenue (expenses)	<u>(51,221)</u>		<u>(51,221)</u>
Income before transfers	141,769	94,066	235,835
Transfers out	<u>(110,000)</u>	<u>(35,500)</u>	<u>(145,500)</u>
Change in net assets	31,769	58,566	90,335
Total net assets - beginning (as restated - see note 2-B)	<u>4,500,921</u>	<u>58,706</u>	<u>4,559,627</u>
Total net assets - ending	<u>\$ 4,532,690</u>	<u>\$ 117,272</u>	<u>\$ 4,649,962</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT B-3
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
December 31, 2003

	Business-Type Activities		Totals
	Enterprise Funds		
	Sewer Fund	Non-Major Funds	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 739,780	\$ 616,202	\$ 1,355,982
Payments to suppliers	(291,583)	(120,971)	(412,554)
Payments to employees	(56,180)	(395,261)	(451,441)
Transfer to other funds	(35,000)	(35,500)	(70,500)
Net cash provided by operating activities	<u>357,017</u>	<u>64,470</u>	<u>421,487</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State aid received	49,068		49,068
Acquisition and construction of capital assets	(778,182)	(5,416)	(783,598)
Principal paid on capital debt	(168,973)		(168,973)
Interest paid on capital debt	(70,114)		(70,114)
Payments to capital reserve fund	(75,000)		(75,000)
Net cash used by capital and related financing activities	<u>(1,043,201)</u>	<u>(5,416)</u>	<u>(1,048,617)</u>
Net increase (decrease) in cash and cash equivalents	(686,184)	59,054	(627,130)
Cash and cash equivalents, January 1, 2003	<u>883,024</u>	<u>35,184</u>	<u>918,208</u>
Cash and cash equivalents, December 31, 2003	<u>\$ 196,840</u>	<u>\$ 94,238</u>	<u>\$ 291,078</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 192,990	\$ 94,066	\$ 287,056
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	166,724	2,223	168,947
Transfers for	(35,000)	(35,500)	(70,500)
(Increase) decrease in accounts receivable	20,397	(3,049)	17,348
Increase (decrease) in accounts payable	(260)	6,749	6,489
Increase (decrease) in deferred user charges	2,041	(19)	2,022
Increase in compensated absences payable	10,125		10,125
Total adjustments	<u>164,027</u>	<u>(29,596)</u>	<u>134,431</u>
Net cash provided by operating activities	<u>\$ 357,017</u>	<u>\$ 64,470</u>	<u>\$ 421,487</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
December 31, 2003

	Developers' Performance Bonds <u>Agency Funds</u>	Private Purpose <u>Trust Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,517,886	\$	\$ 1,517,886
Investments	<u> </u>	895,960	<u>895,960</u>
Total assets	<u>1,517,886</u>	<u>895,960</u>	<u>2,413,846</u>
LIABILITIES			
Accounts payable		1,084	1,084
Intergovernmental payable		401	401
Due to others	<u>1,517,886</u>	<u> </u>	<u>1,517,886</u>
Total liabilities	<u>1,517,886</u>	<u>1,485</u>	<u>1,519,371</u>
NET ASSETS			
Held in trust for other purposes and governments	<u>\$ -0-</u>	<u>\$ 894,475</u>	<u>\$ 894,475</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended December 31, 2003

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ <u>31,124</u>
DEDUCTIONS	
School district	75,000
Scholarships	401
Cemetery association	195
Church	<u>889</u>
Total deductions	<u>76,485</u>
Change in net assets	(45,361)
Net assets - beginning	<u>939,836</u>
Net assets - ending	<u>\$ 894,475</u>

The notes to financial statements are an integral part of this statement.

TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Bedford, New Hampshire, is a municipal corporation governed by an elected Town Council and Town Manager. As required by U.S. generally accepted accounting principles, these financial statements present the Town of Bedford (primary government). Component units are organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental or business-type activities.

The statement of net assets presents the financial position of the governmental and business-type activities of the Town at year-end. This statement includes all of the Town's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with the function and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions *generate* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Financial Statements - During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

The Town reports two major governmental funds; the general and capital project funds, and one major proprietary fund, the sewer fund. All nonmajor funds are aggregated in one column on the fund financial statements.

Fund Accounting - The Town uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Town uses three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between governmental fund assets and liabilities as fund balance. The following are the Town's governmental funds:

General Fund - The General Fund is the general operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Capital Project Fund - The capital project fund is used to account for the acquisition, construction or improvement of capital facilities, other than those being financed by proprietary funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Funds - Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Proprietary Funds - Proprietary Funds are those which account for governmental activities that are similar to activities that may be performed by a commercial enterprise. These funds cover those activities that generally charge a fee in order to recover operational costs. The Town reports the difference between proprietary fund assets and liabilities as net assets.

Enterprise Funds - Enterprise funds are used to report activities for which a fee is charged to external users for goods or services.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets. The Town's fiduciary funds consist of two types of funds, private purpose trust funds and agency funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets. The statement of activities reports revenues, expenses and changes in net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary funds are accounted for using the accrual basis of accounting. Using this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are increased (flow of economic resources measurement focus).

The private purpose trust funds use an economic resources measurement focus. These funds report all assets and liabilities, if any, on the statement of fiduciary net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets.

1-D Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

Revenues - Non-exchange Transactions - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified

TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable, but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-E Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

New Hampshire statutes require that the Town treasurer have custody of all moneys belonging to the Town and shall pay out the same only upon orders of the Town Manager. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments - Wherever the Treasurer has in custody an excess of funds, which are not immediately needed for the purpose of expenditure, the Treasurer shall, with the approval of the Town Manager, invest the excess funds.

TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States Government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices.

1-E-2 Receivables

Tax revenue is recorded when a warrant for collection is committed to the Tax Collector. As prescribed by law, the Tax Collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets. Balances between governmental and proprietary funds are eliminated on the line "internal balances."

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31 are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

1-E-5 Capital Assets

Capital assets are those assets which the Town owns. These assets are reported in the applicable governmental activities columns of the government-wide financial statements. The proprietary funds' capital assets are reported in both the government-wide and fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000 - \$50,000 depending on the type of asset and more than one year of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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Under GASB Statement No. 34, the Town has until 2005 for retroactive reporting of its infrastructure assets (roads, bridges, sidewalks, etc.) therefore, at this time, the only infrastructure reported is the sewer system. All reported capital assets are depreciated over the estimated useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Land and improvements	20 - 30
Buildings and building improvements	7 - 40
Equipment & vehicles	5 - 15
Sewer system	25

1-E-6 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Town's experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide and proprietary fund financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "*when due.*"

1-E-7 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

1-E-8 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

TOWN OF BEDFORD, NEW HAMPSHIRE
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1-E-9 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

1-E-10 Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES, FUND RECLASSIFICATIONS AND RESTATEMENT OF EQUITY BALANCES

2-A Changes in Accounting Principles

For the fiscal year 2003, the Town has implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34 creates new basic financial statements for reporting the Town's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in a single column.

The government-wide financial statements present the Town's programs as governmental and business-type activities. The beginning net asset amount for government programs reflects the change in fund balance for governmental funds at January 1, 2003, caused by conversion to the accrual basis of accounting.

2-B Restatement of Equity Balances

The sewer fund net assets at January 1, 2003 were restated for the accrued interest which had not been recorded (\$29,605) and to correct the debt balance (\$48,974).

Adjustment	\$ 19,369
Net assets as previously reported	<u>4,481,552</u>
Net assets as restated	<u>\$ 4,500,921</u>

TOWN OF BEDFORD, NEW HAMPSHIRE
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The transition from governmental fund balance to net assets of the governmental activities (i.e., the GASB Statement No. 34 adjustments) is presented here.

Fund balances - all governmental funds, December 31, 2002	\$ 3,899,232
Trust funds previously reported as fiduciary funds, now reported as special revenue funds	1,592,516
Trust funds previously reported as fiduciary funds, now reported as permanent funds	26,670
Enterprise funds previously reported as special revenue funds	(50,352)
Capital assets (net of accumulated depreciation)	19,011,853
General obligation bonds/notes payable	(6,510,000)
Capital leases payable	(232,429)
Compensated absences payable	(692,663)
Accrued landfill postclosure care costs	<u>(624,000)</u>
 Net assets - governmental activities, December 31, 2002	 <u>\$ 16,420,827</u>

2-C Bonds or Notes Authorized - Unissued

Bonds and notes authorized and unissued as of December 31, 2003 were as follows:

Per Town Meeting <u>Vote of</u>	<u>Purpose</u>	<u>Unissued Amount</u>
March 1981	Sewer Construction	\$ 404,000
March 2001	Joppa Hill	<u>500,000</u>
<u>Total</u>		<u>\$ 904,000</u>

The authorization for the March 1981 sewer construction in the amount of \$404,000 was rescinded in March 2004.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3-A Cash and Cash Equivalents Reconciliation

At year-end, the Town's carrying amount of deposits was \$20,574,517, and the bank balance was \$19,993,842. Of the bank balance, \$201,074 was insured or collateralized with securities held by the Town or its agent in the Town's name; \$17,921,707 was collateralized with securities held by the pledging financial institutions's trust department or agent in the Town's name; and \$1,871,061 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Fund Reporting Level	
Governmental Funds - Balance Sheet (Exhibit A-1)	\$ 18,765,553
Proprietary Funds - Statement of Net Assets (Exhibit B-1)	291,078
Statement of Fiduciary Net Assets (Exhibit B-1)	<u>1,517,886</u>
	<u>\$ 20,574,517</u>

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Repurchase Agreement

Included in the Town's cash equivalents at December 31, 2003, is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the Town will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which exceed the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the Town is at risk of economic loss. Management considers this exposure to be minimal. At December 31, 2003, the Town held an investment in the following repurchase agreement:

<u>Amount</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Collateral Pledged</u>	
			<u>Underlying Securities</u>	<u>Market Value</u>
\$ 11,078,510	0.89	January 2, 2004	FNMA	\$ 11,134,942

Investments made by the Town are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

- Category 1* Includes investments that are insured, collateralized, or registered for which the securities are held by the Town or its agent in the Town's name.
- Category 2* Includes uninsured and unregistered investments for which the securities are held by the Town, broker, counter party's trust department or agent in the Town's name.
- Category 3* Includes uninsured and unregistered investments for which the securities are held by the broker, counter party, counter party's trust department or agent, but not in the Town's name.

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of Deposit	<u>\$ 6,074,690</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,074,690</u>

3-B Taxes Receivable

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2003, upon which the 2003 property tax levy was based is:

For the New Hampshire Education Tax	\$ 1,832,034,722
For All Other Taxes	\$ 1,846,056,597

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The June 1 billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

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In connection with the setting of the tax rate, Town Officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Bedford School District and Hillsborough County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2003, were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal Portion	\$ 3.29	\$ 6,092,432
<u>School Portion</u>		
State of New Hampshire	\$ 5.87	10,745,456
Local	\$ 9.47	17,475,737
County Portion	\$ 1.71	<u>3,152,858</u>
<u>Total Property Taxes Assessed</u>		<u>\$ 37,466,483</u>

During the current fiscal year, the Tax Collector executed a lien on May 13 for all uncollected 2002 property taxes.

Taxes receivable at December 31, 2003, are as follows:

<u>Property</u>	
Levy of 2003	\$ 885,659
<u>Unredeemed (under tax lien)</u>	
Levy of 2002	102,103
Levy of 2001	42,898
Levy of 2000	5,427
Land Use Change	305,841
Less: Allowance for estimated uncollectible taxes	<u>(92,995)</u>
<u>Net Taxes Receivable</u>	<u>\$ 1,248,933</u>

3-C Other Receivables

Receivables at December 31, 2003, consisted of accounts (billings for sewer and other user charges), and intergovernmental receivables arising from grants.

Other receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectibility.

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Amounts receivable at December 31, 2003 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Accounts	\$ 289,608	\$ 202,021	\$ 491,629
Intergovernmental	260,838	272,474	533,312
Less: Allowance for Uncollectible Amounts	<u>(9,652)</u>	<u> </u>	<u>(9,652)</u>
Total Receivables	<u>\$ 540,794</u>	<u>\$ 474,495</u>	<u>\$ 1,015,289</u>

3-D Capital Assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	<u>Balance January 1, 2003</u>	<u>Changes</u>	<u>Balance December 31, 2003</u>
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$13,420,600	\$ 64,900	\$13,485,500
Construction in progress	<u> </u>	<u>1,829,605</u>	<u>1,829,605</u>
Total capital assets not being depreciated	<u>13,420,600</u>	<u>1,894,505</u>	<u>15,315,105</u>
Capital assets, being depreciated:			
Land improvements	56,000		56,000
Buildings	5,494,900		5,494,900
Machinery, equipment and vehicles	<u>3,760,112</u>	<u>1,086,895</u>	<u>4,847,007</u>
Total capital assets being depreciated	<u>9,311,012</u>	<u>1,086,895</u>	<u>10,397,907</u>
Less accumulated depreciation for:			
Land improvements	(21,704)	(2,796)	(24,500)
Buildings	(1,930,725)	(90,167)	(2,020,892)
Machinery, equipment and vehicles	<u>(1,789,145)</u>	<u>(384,805)</u>	<u>(2,173,950)</u>
Total accumulated depreciation	<u>(3,741,574)</u>	<u>(477,768)</u>	<u>(4,219,342)</u>
Total capital assets, being depreciated, net	<u>5,569,438</u>	<u>609,127</u>	<u>6,178,565</u>
Governmental activities capital assets, net	<u>\$18,990,038</u>	<u>\$2,503,632</u>	<u>\$21,493,670</u>
Business-type activities:			
Capital assets, not being depreciated:			
Land	\$ 15,000	\$ _____	\$ 15,000
Capital assets, being depreciated:			
Buildings	2,767,591		2,767,591
Machinery, equipment and vehicles	17,578	31,129	48,707
Sewer system	<u>3,744,186</u>	<u>752,469</u>	<u>4,496,655</u>
Total capital assets being depreciated	<u>6,529,355</u>	<u>783,598</u>	<u>7,312,953</u>
Less accumulated depreciation for:			
Buildings	(1,122,391)	(69,127)	(1,191,518)
Machinery, equipment and vehicles	(9,225)	(3,080)	(12,305)
Sewer system	<u>(812,070)</u>	<u>(96,740)</u>	<u>(908,810)</u>
Total accumulated depreciation	<u>(1,943,686)</u>	<u>(168,947)</u>	<u>(2,112,633)</u>
Total capital assets, being depreciated, net	<u>4,585,669</u>	<u>614,651</u>	<u>5,200,320</u>
Business-type activities capital assets, net	<u>\$ 4,600,669</u>	<u>\$ 614,651</u>	<u>\$ 5,215,320</u>

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

Governmental activities:		
General government		\$ 93,581
Public safety		177,565
Highways and streets		189,311
Culture and recreation		<u>17,311</u>
Total deprecation expense - governmental activities		<u>\$ 477,768</u>
Business-type activities:		
Sewer		\$ 166,724
Bedford community tv		<u>2,223</u>
Total depreciation expense - business-type activities		<u>\$ 168,947</u>

3-E Interfund Balances and Transfers

The composition of interfund balances as of December 31, 2003 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special revenue	\$ 15,000
	Permanent	1,670
Public library	Permanent	570
Capital reserve	General	85,197
Sewer	Special revenue	<u>157,225</u>
<u>Total</u>		<u>\$ 259,662</u>

Interfund transfers:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfers out:			
General fund	\$	\$ 249,500	\$ 249,500
Nonmajor governmental funds	650,115	570	650,685
Sewer fund	35,000	75,000	110,000
Nonmajor enterprise funds	<u>35,500</u>	<u> </u>	<u>35,500</u>
Total transfers out	<u>\$ 720,615</u>	<u>\$ 325,070</u>	<u>\$ 1,045,685</u>

3-F Intergovernmental Payable

The amount due to other governments at December 31, 2003 consists of \$12,131,428 of the 2003-2004 district assessment due to the Bedford School District.

TOWN OF BEDFORD, NEW HAMPSHIRE
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3-G Deferred Revenue

General Fund

Deferred revenue at December 31, 2003 consists of \$1,043,669 deferred to pay debt service incurred for the purchase of Joppa Hill land, and \$597 representing other deferred revenue.

Enterprise Funds

Sewer Department Fund - The deferred revenue of \$131,929 represents betterment assessments of \$129,888, recorded as a receivable through not due or earned until subsequent years, and \$2,041 of overpayments being applied to subsequent year billings.

3-H Long-Term Debt

Changes in the Town's long-term obligations during the year ended December 31, 2003, consisted of the following:

	<u>Balances</u> <u>January 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>December 31, 2003</u>
Governmental activities:				
General Obligation				
Bonds/Notes	\$ 6,510,000	\$ 8,000,000	\$ 540,000	\$ 13,970,000
Capital Leases	232,429		232,429	
Compensated Absences	692,663	288,930		981,593
Accrued Landfill				
Postclosure Care Costs	624,000		124,000	500,000
Business-type activities:				
Sewer Department				
General Obligation				
Bonds/Notes	1,670,892		217,946	1,452,946
Compensated Absences	<u> </u>	<u>10,125</u>	<u> </u>	<u>10,125</u>
<u>Totals</u>	<u>\$ 9,729,984</u>	<u>\$ 8,299,055</u>	<u>\$ 1,114,375</u>	<u>\$ 16,914,664</u>

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Long-term debt payable at December 31, 2002, is comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2003</u>
Governmental activities:					
<u>General Obligation</u>					
<u>Bonds/Notes Payable</u>					
Safety Complex	\$ 2,000,000	1995	2014	5.4-6.0	\$ 1,100,000
Library Construction	\$ 2,200,000	1996	2016	5.2-5.8	1,430,000
Landfill Closure	\$ 2,003,924	1999	2019	4.48	1,600,000
Joppa Hill Land	\$ 2,300,000	2001	2011	4.00-4.35	1,840,000
Road Construction	\$ 8,000,000	2003	2013	2.60-3.25	<u>8,000,000</u>
					<u>13,970,000</u>
<u>Compensated Absences Payable</u>					
Vested Sick Leave					692,014
Accrued Vacation Leave					280,092
Compensation Time					<u>9,487</u>
					<u>981,593</u>
<u>Accrued Landfill Postclosure Care Costs</u>					
					<u>500,000</u>
<u>Total governmental activities</u>					<u>\$ 15,451,593</u>
Business-type activities					
<u>Enterprise Fund</u>					
Wastewater Facility	\$ 489,731	1996	2005	3.00	97,946
Sewer Construction	\$ 2,020,000	1998	2012	4.00-4.85	<u>1,355,000</u>
					<u>1,452,946</u>
<u>Compensated absences payable</u>					
Vested Sick Leave					9,474
Accrued Vacation Leave					<u>651</u>
					<u>10,125</u>
<u>Total business-type activities</u>					<u>\$ 1,463,071</u>

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2003, including interest payments, are as follows:

Annual Requirements To Amortize Governmental Fund Bonds/Notes Payable

Governmental activities:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,340,000	\$ 504,115	\$ 1,844,115
2005	1,340,000	458,515	1,798,515
2006	1,340,000	412,665	1,752,665
2007	1,340,000	366,715	1,706,715
2008	1,340,000	320,665	1,660,665
2009-2013	6,240,000	872,745	7,112,745
2004-2018	930,000	124,282	1,054,282
2019	<u>100,000</u>	<u>4,480</u>	<u>104,480</u>
<u>Totals</u>	<u>\$ 13,970,000</u>	<u>\$ 3,064,182</u>	<u>\$ 17,034,182</u>

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Annual Requirements To Amortize Enterprise Fund Debt Payable

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 178,973	\$ 63,777	\$ 242,750
2005	178,973	56,901	235,874
2006	140,000	49,957	189,957
2007	140,000	43,937	183,937
2008	150,000	37,812	187,812
2009-2012	<u>665,000</u>	<u>80,586</u>	<u>745,586</u>
<u>Totals</u>	<u>\$ 1,452,946</u>	<u>\$ 332,970</u>	<u>\$ 1,785,916</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit. Enterprise Fund debt will be funded through user fees. All other debt will be repaid from general governmental revenues.

Accrued Landfill Postclosure Care Costs

The Town ceased operating its landfill in past years. Federal and State laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated total current cost of the landfill postclosure care (\$500,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2003. However, the actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 4 - OTHER MATTERS

4-A Pensions

Plan Description and Provisions

The Town of Bedford participates in the New Hampshire Retirement System (The System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH 03301.

Description of Funding Policy

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the six month period ended June 30, 2003, the Town contributed 5.33% for police officers, 6.61% for firefighters and 4.14% for other employees. For the six month period ended December 31, 2003, the Town contributed 7.87 for police officers,

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FOR THE YEAR ENDED DECEMBER 31, 2003

13.44% for firefighters and 5.90% for other employees. The contribution requirements for the Town of Bedford for the fiscal years 2001, 2002, and 2003 were \$117,123, \$154,399, and \$343,533, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for firefighters and police officers employed by the Town. The State does not participate in funding the employer costs of other Town employees. GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires this amount to be reported as a revenue and expenditure in the Town's financial statements. This amount \$114,818 has been included on the government-wide statement of activities, and also on the statement of revenues, expenditures and changes in fund balances - all governmental funds which is reconciled to the budgetary expenditures in the notes to the required supplementary information.

4-B Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2003, the Town was a member of the Local Government Center Property-Liability Trust, LLC and the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

The Local Government Center Property-Liability Trust, Inc. is a Trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program includes a Self-Insured Retention Fund (SIR) from which is paid up to \$500,000 for each and every covered property, auto physical damage and crime loss, subject to a \$1,000 deductible, and each and every covered general liability and public officials' liability loss. The Trust maintains, on behalf of its members, reinsurance policies shared by the membership.

Contributions paid in 2003 for fiscal year 2004, ending June 30, 2004, to be recorded as an insurance expenditure totaled \$107,239. There were no unpaid contributions for the year ending June 30, 2004, and due in 2003. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

The New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. The workers' compensation and employer's liability policy provides statutory coverage for workers' compensation and up to \$2,000,000 of employer's liability coverage. Primex retained \$500,000 of each loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage run from January 1 through December 31. The estimated net contribution from the Town of Bedford billed and paid for the year ended December 31, 2003 was \$98,493. The member participation agreement permits Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

TOWN OF BEDFORD, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

4-C Contingent Liabilities

Litigation

There are various claims and suits pending against the Town which arise in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY SCHEDULES

SCHEDULE D
TOWN OF BEDFORD, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2003

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 6,262,573	\$ 6,260,167	\$ (2,406)
Licenses and permits	4,571,000	4,576,504	5,504
Intergovernmental	1,264,141	1,194,591	(69,550)
Charges for services	623,956	771,203	147,247
Miscellaneous	<u>1,382,706</u>	<u>959,599</u>	<u>(423,107)</u>
TOTAL REVENUES	<u>14,104,376</u>	<u>13,762,064</u>	<u>(342,312)</u>
EXPENDITURES			
Current:			
General government	3,584,807	3,498,141	86,666
Public safety	4,223,336	4,270,714	(47,378)
Highways and streets	2,760,461	2,796,048	(35,587)
Sanitation	1,043,222	1,079,475	(36,253)
Welfare	28,600	21,742	6,858
Culture and recreation	1,978,315	1,964,001	14,314
Conservation	212,520	3,051	209,469
Debt service	<u>1,021,315</u>	<u>965,315</u>	<u>56,000</u>
TOTAL EXPENDITURES	<u>14,852,576</u>	<u>14,598,487</u>	<u>254,089</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(748,200)</u>	<u>(836,423)</u>	<u>(88,223)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In	703,200	720,615	17,415
Interfund Transfers Out	<u>(370,000)</u>	<u>(249,500)</u>	<u>120,500</u>
TOTAL OTHER FINANCING SOURCES AND USES	<u>333,200</u>	<u>471,115</u>	<u>137,915</u>
Net Change in Fund Balances	(415,000)	(365,308)	49,692
UNRESERVED FUND BALANCES - JANUARY 1	<u>2,746,331</u>	<u>2,746,331</u>	<u> </u>
UNRESERVED FUND BALANCES - DECEMBER 31	<u>\$ 2,331,331</u>	<u>\$ 2,381,023</u>	<u>\$ 49,692</u>

The notes to financial statements are an integral part of this statement.

TOWN OF BEDFORD, NEW HAMPSHIRE
Notes to Required Supplementary Information
For The Year Ended December 31, 2003

Budgetary Information

General Budget Policies	1
Budget/GAAP Reconciliation	2

TOWN OF BEDFORD, NEW HAMPSHIRE
Notes to Required Supplementary Information
For The Year Ended December 31, 2003

1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as the proprietary funds. A project length financial plan was adopted for the capital project fund. Except as reconciled below, the general fund budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2003, \$415,000 of the beginning general fund fund balance was applied for this purpose.

2. Budget/GAAP Reconciliation

The following reconciles the general fund budgetary basis to the GAAP basis.

<u>Revenues and Other Financing Sources</u>	
Per Exhibit D (Budgetary Basis)	\$ 14,482,679
<u>Adjustment</u>	
<u>Basis Difference</u>	
On-behalf retirement contribution payments made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	<u>114,818</u>
Per Exhibit A-3 (GAAP Basis)	<u>\$ 14,597,497</u>
<u>Expenditures and Other Financing Uses</u>	
Per Exhibit D (Budgetary Basis)	\$ 14,847,987
<u>Adjustments</u>	
<u>Basis Differences</u>	
Encumbrances - December 31, 2002	527,933
Encumbrances - December 31, 2003	(1,348,406)
On-behalf retirement contribution payments made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	<u>114,818</u>
Per Exhibit A-3 (GAAP Basis)	<u>\$ 14,142,332</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SCHEDULE E-1
TOWN OF BEDFORD, NEW HAMPSHIRE
Major General Fund
Statement of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2003

REVENUES	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:			
Property	\$ 5,868,048	\$ 5,850,520	\$ (17,528)
Land use change	230,000	243,421	13,421
Timber	3,000	5,116	2,116
Excavation	500		(500)
Interest and penalties	<u>161,025</u>	<u>161,110</u>	<u>85</u>
Total Taxes	<u>6,262,573</u>	<u>6,260,167</u>	<u>(2,406)</u>
Licenses, Permits and Fees:			
Business licenses, permits and fees	15,000	13,964	(1,036)
Motor vehicle permit fees	4,258,000	4,254,552	(3,448)
Building permits	264,000	293,042	29,042
Other	<u>34,000</u>	<u>14,946</u>	<u>(19,054)</u>
Total Licenses, Permits and Fees	<u>4,571,000</u>	<u>4,576,504</u>	<u>5,504</u>
Intergovernmental:			
State:			
Shared revenue	155,590	155,590	
Meals and rooms distribution	579,476	579,476	
Highway block grant	413,670	413,670	
Other	90,704	45,855	(44,849)
Federal:			
Department of Justice	<u>24,701</u>		<u>(24,701)</u>
Total Intergovernmental	<u>1,264,141</u>	<u>1,194,591</u>	<u>(69,550)</u>
Charges For Services:			
Income from departments	<u>623,956</u>	<u>771,203</u>	<u>147,247</u>
Miscellaneous:			
Sale of municipal property	418,000	92,000	(326,000)
Interest on investments	250,000	152,893	(97,107)
Joppa Hill	<u>714,706</u>	<u>714,706</u>	
Total Miscellaneous	<u>1,382,706</u>	<u>959,599</u>	<u>(423,107)</u>
OTHER FINANCING SOURCES:			
Transfers:			
Special revenue funds	632,700	648,445	15,745
Permanent fund		1,670	1,670
Enterprise funds	<u>70,500</u>	<u>70,500</u>	
Total Other Financing Sources	<u>703,200</u>	<u>720,615</u>	<u>17,415</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	14,807,576	<u>\$ 14,482,679</u>	<u>\$ (324,897)</u>
Use of fund balance to reduce tax rate	<u>415,000</u>		
TOTAL REVENUES, OTHER FINANCING SOURCES AND USE OF FUND BALANCE	<u>\$ 15,222,576</u>		

SCHEDULE E-2
TOWN OF BEDFORD, NEW HAMPSHIRE
Major General Fund
Statement of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2003

	Encumbered From 2002	Appropriations 2003	Expenditures Net of Refunds	Encumbered To 2004	Variance Positive (Negative)
Current:					
General Government:					
Executive	\$	\$ 620,308	\$ 630,104	\$	\$ (9,796)
Election and registration		12,603	11,646		957
Financial administration	45,667	551,918	555,702	18,542	23,341
Revaluation of property	2,300	586,023	268,822	294,111	25,390
Legal		50,000	42,689		7,311
Planning and zoning	4,493	246,310	239,263	1,250	10,290
General government buildings	60,000	283,446	310,392	44,101	(11,047)
Cemeteries	1,305	36,900	37,471		734
Insurance, not otherwise allocated	140,000	1,019,100	1,133,726		25,374
Advertising and regional associations		65,199	66,258		(1,059)
Other		113,000	97,829		15,171
Total General Government	<u>253,765</u>	<u>3,584,807</u>	<u>3,393,902</u>	<u>358,004</u>	<u>86,666</u>
Public Safety:					
Police department	6,750	2,402,652	2,330,436	8,332	70,634
Fire department	208,600	1,717,599	2,033,775	9,000	(116,576)
Building inspection		101,857	103,676		(1,819)
Emergency management		728	845		(117)
Other		500			500
Total Public Safety	<u>215,350</u>	<u>4,223,336</u>	<u>4,468,732</u>	<u>17,332</u>	<u>(47,378)</u>
Highways and Streets:					
Administration	5,000	195,787	177,748		23,039
Highways and streets	31,918	2,497,374	2,415,911	166,104	(52,723)
Street lighting		67,300	73,203		(5,903)
Total Highways and Streets	<u>36,918</u>	<u>2,760,461</u>	<u>2,666,862</u>	<u>166,104</u>	<u>(35,587)</u>
Sanitation:					
Solid waste disposal	750	1,043,222	1,080,225		(36,253)
Welfare:					
Administration		20,000	13,416		6,584
Intergovernmental payments		8,600	8,326		274
Total Welfare		<u>28,600</u>	<u>21,742</u>		<u>6,858</u>
Culture and Recreation:					
Parks and recreation	21,150	1,420,588	611,942	806,966	22,830
Library		552,527	562,527		(10,000)
Other		5,200	3,716		1,484
Total Culture and Recreation	<u>21,150</u>	<u>1,978,315</u>	<u>1,178,185</u>	<u>806,966</u>	<u>14,314</u>
Conservation		212,520	3,051		209,469

SCHEDULE E-2 (Continued)
TOWN OF BEDFORD, NEW HAMPSHIRE
Major General Fund
Statement of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2003

	Encumbered From 2002	Appropriations 2003	Expenditures Net of Refunds	Encumbered To 2004	Variance Positive (Negative)
Debt Service:					
Principal		540,000	540,000		
Interest		481,315	425,315		56,000
Total Debt Service		1,021,315	965,315		56,000
Other Financing Uses:					
Transfers:					
Special revenue funds		370,000	249,500		120,500
Total Appropriations, Expenditures and Encumbrances	<u>\$ 527,933</u>	<u>\$ 15,222,576</u>	<u>\$ 14,027,514</u>	<u>\$ 1,348,406</u>	<u>\$ 374,589</u>

SCHEDULE E-3
TOWN OF BEDFORD, NEW HAMPSHIRE
General Fund
Statement of Changes in Unreserved - Undesignated Fund Balance
For the Fiscal Year Ended December 31, 2003

Unreserved, Undesignated Fund Balance - January 1		\$2,746,331
Changes		
Fund Balance Used To Reduce 2003 Tax Rate		(415,000)
2003 Budget Summary		
Revenue Shortfall (Schedule E-1)	\$ (324,897)	
Unexpended Balance of Appropriations (Schedule E-2)	<u>374,589</u>	
2003 Budget Surplus		<u>49,692</u>
Unreserved, Undesignated Fund Balance - December 31		<u>\$2,381,023</u>

SCHEDULE F-1
TOWN OF BEDFORD, NEW HAMPSHIRE
Non Major Governmental Funds
Combining Balance Sheet
December 31, 2003

	Special Revenue Funds			Permanent Funds	Total
	Public Library	Capital Reserve	All Other	Cemetery & Library	
ASSETS					
Cash and cash equivalents	\$ 1,074	\$ 629,171	\$ 1,041,974	\$	\$ 1,672,219
Investments		710,182		27,495	737,677
Accounts receivable			5,684		5,684
Interfund receivable	<u>570</u>	<u>85,197</u>	<u> </u>	<u> </u>	<u>85,767</u>
TOTAL ASSETS	<u>\$ 1,644</u>	<u>\$ 1,424,550</u>	<u>\$ 1,047,658</u>	<u>\$ 27,495</u>	<u>\$ 2,501,347</u>
LIABILITIES					
Interfund payable	<u>\$</u>	<u>\$</u>	<u>\$ 172,225</u>	<u>\$ 2,252</u>	<u>\$ 174,477</u>
FUND BALANCES					
Reserved for encumbrances			66,607		66,607
Reserved for endowments				25,243	25,243
Reserved for special purposes		1,424,550			1,424,550
Unreserved:					
Designated for special purposes	<u>1,644</u>	<u> </u>	<u>808,826</u>	<u> </u>	<u>810,470</u>
TOTAL FUND BALANCES	<u>1,644</u>	<u>1,424,550</u>	<u>875,433</u>	<u>25,243</u>	<u>2,326,870</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,644</u>	<u>\$ 1,424,550</u>	<u>\$ 1,047,658</u>	<u>\$ 27,495</u>	<u>\$ 2,501,347</u>

The notes to financial statements are an integral part of this statement.

SCHEDULE F-2
TOWN OF BEDFORD, NEW HAMPSHIRE
Non Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
December 31, 2003

	Special Revenue Funds			Permanent Funds	Total
	Public Library	Capital Reserve	All Other	Cemetery & Library	
REVENUES:					
Taxes	\$	\$ 85,197	\$	\$	\$ 85,197
Charges for services	1,099		33,397		34,496
Miscellaneous	18,356	43,282	362,155	813	424,606
TOTAL REVENUES	<u>19,455</u>	<u>128,479</u>	<u>395,552</u>	<u>813</u>	<u>544,299</u>
EXPENDITURES:					
Current:					
General government			61,346		61,346
Public safety			3,043		3,043
Culture and recreation	20,476		751		21,227
TOTAL EXPENDITURES	<u>20,476</u>		<u>65,140</u>		<u>85,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,021)</u>	<u>128,479</u>	<u>330,412</u>	<u>813</u>	<u>458,683</u>
OTHER FINANCING SOURCES (USES)					
Transfers In:					
General fund		249,500			249,500
Sewer fund		75,000			75,000
Trust funds	570				570
Transfers Out:					
General fund		(620,945)	(27,500)	(1,670)	(650,115)
Public library fund				(570)	(570)
Total Other Financing Sources and Uses	<u>570</u>	<u>(296,445)</u>	<u>(27,500)</u>	<u>(2,240)</u>	<u>(325,615)</u>
NET CHANGE IN FUND BALANCES	<u>(451)</u>	<u>(167,966)</u>	<u>302,912</u>	<u>(1,427)</u>	<u>133,068</u>
FUND BALANCES - JANUARY 1	<u>2,095</u>	<u>1,592,516</u>	<u>572,521</u>	<u>26,670</u>	<u>2,193,802</u>
FUND BALANCES - DECEMBER 31	<u>\$ 1,644</u>	<u>\$ 1,424,550</u>	<u>\$ 875,433</u>	<u>\$ 25,243</u>	<u>\$ 2,326,870</u>

The notes to financial statements are an integral part of this statement.