

TOWN OF BEDFORD,  
NEW HAMPSHIRE

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2002

*TOWN OF BEDFORD, NEW HAMPSHIRE*  
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*FOR THE YEAR ENDED DECEMBER 31, 2002*

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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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 general purpose financial statements of the Town of Bedford, New Hampshire as of and for the year ended December 31, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group which should be included in order to conform with accounting principles generally accepted in the United States of America. As is the case with most municipal entities in the State of New Hampshire, the Town of Bedford has not maintained historical cost records of its fixed assets. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Bedford as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Plodzik & Sanderson  
Professional Association*

April 16, 2003

***GENERAL PURPOSE FINANCIAL STATEMENTS***

EXHIBIT A  
TOWN OF BEDFORD, NEW HAMPSHIRE  
Combined Balance Sheet  
All Fund Types and Account Group  
December 31, 2002

<u>ASSETS AND OTHER DEBITS</u>	<u>Governmental</u> <u>Fund Types</u>		<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>	<u>Fiduciary</u> <u>Fund Types</u>	<u>Account</u> <u>Group</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>		<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	
<u>Assets</u>						
Cash and Equivalents	\$ 11,906,617	\$ 700,524	\$	\$ 1,753,009	\$	\$ 14,360,150
Investments	5,000,000			1,910,590		6,910,590
<u>Receivables (Net of</u> <u>Allowance For Uncollectible)</u>						
Taxes	1,374,773					1,374,773
Accounts	171,486	51,953	198,961			422,400
Special Assessments			163,425			163,425
Intergovernmental	12,878		302,688			315,566
Other			26,350			26,350
Interfund Receivable	13,936	35,184	1,040,249	12,803,023		13,892,392
Prepaid Items	53,286					53,286
Fixed Assets			6,528,690			6,528,690
Accumulated Depreciation			(1,936,374)			(1,936,374)
<u>Other Debits</u>						
Amount to be Provided for Retirement of General Long-Term Debt					8,059,092	8,059,092
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$ 18,532,976</u>	<u>\$ 787,661</u>	<u>\$ 6,323,989</u>	<u>\$ 16,466,622</u>	<u>\$ 8,059,092</u>	<u>\$ 50,170,340</u>

*EXHIBIT A (Continued)*  
**TOWN OF BEDFORD, NEW HAMPSHIRE**  
*Combined Balance Sheet*  
*All Fund Types and Account Group*  
*December 31, 2002*

<u>LIABILITIES AND EQUITY</u>	<u>Governmental</u> <u>Fund Types</u>		<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>	<u>Fiduciary</u> <u>Fund Types</u>	<u>Account</u> <u>Group</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>		<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	
<u>Liabilities</u>						
Cash Overdraft	\$	\$	\$	\$ 12	\$	\$ 12
Accounts Payable	347,967	5,129	8,120			361,216
Accrued Payroll and Benefits	239,689					239,689
Retainage Payable	52,560					52,560
Intergovernmental Payable				13,615,450		13,615,450
Interfund Payable	13,735,167	157,225				13,892,392
Escrow and Performance Deposits				1,216,753		1,216,753
Deferred Revenue	883,329	339	163,425			1,047,093
General Obligation Bonds/Notes Payable-Current			163,973			163,973
General Obligation Bonds/Notes Payable			1,506,919		6,510,000	8,016,919
Capital Leases Payable					232,429	232,429
Compensated Absences Payable					692,663	692,663
Accrued Landfill Postclosure Care Costs					624,000	624,000
Total Liabilities	<u>15,258,712</u>	<u>162,693</u>	<u>1,842,437</u>	<u>14,832,215</u>	<u>8,059,092</u>	<u>40,155,149</u>
<u>Equity</u>						
Contributed Capital			2,615,643			2,615,643
<u>Retained Earnings</u>						
Unreserved			1,865,909			1,865,909
<u>Fund Balances</u>						
Reserved For Encumbrances	527,933	69,473				597,406
Reserved For Endowments				39,455		39,455
Reserved For Special Purposes				1,594,952		1,594,952
<u>Unreserved</u>						
Designated For Special Purposes		555,495				555,495
Undesignated	<u>2,746,331</u>					<u>2,746,331</u>
Total Equity	<u>3,274,264</u>	<u>624,968</u>	<u>4,481,552</u>	<u>1,634,407</u>		<u>10,015,191</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 18,532,976</u>	<u>\$ 787,661</u>	<u>\$ 6,323,989</u>	<u>\$ 16,466,622</u>	<u>\$ 8,059,092</u>	<u>\$ 50,170,340</u>

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

*EXHIBIT B*  
*TOWN OF BEDFORD, NEW HAMPSHIRE*  
*Combined Statement of Revenues, Expenditures and Changes in Fund Balances*  
*All Governmental Fund Types and Expendable Trust Funds*  
*For the Fiscal Year Ended December 31, 2002*

	<u>Governmental</u> <u>Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	Total (Memorandum Only)
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Expendable</u> <u>Trust</u>	
<u>Revenues</u>				
Taxes	\$ 6,183,715	\$	\$ 126,125	\$ 6,309,840
Licenses and Permits	4,336,893			4,336,893
Intergovernmental	1,216,153			1,216,153
Charges for Services	565,091	973,800		1,538,891
Miscellaneous	1,104,650	44,982	26,415	1,176,047
<u>Other Financing Sources</u>				
Operating Transfers In	<u>274,582</u>		<u>527,250</u>	<u>801,832</u>
<u>Total Revenues and</u> <u>Other Financing Sources</u>	<u>13,681,084</u>	<u>1,018,782</u>	<u>679,790</u>	<u>15,379,656</u>
<u>Expenditures</u>				
<u>Current</u>				
General Government	2,575,046	57,976	12	2,633,034
Public Safety	3,400,003	205,698		3,605,701
Highways and Streets	3,661,080			3,661,080
Sanitation	979,082			979,082
Welfare	11,720			11,720
Culture and Recreation	891,286	347,760		1,239,046
Conservation	15,589			15,589
Debt Service	1,401,505			1,401,505
<u>Other Financing Uses</u>				
Operating Transfers Out	<u>477,250</u>	<u>30,000</u>	<u>209,582</u>	<u>716,832</u>
<u>Total Expenditures and</u> <u>Other Financing Uses</u>	<u>13,412,561</u>	<u>641,434</u>	<u>209,594</u>	<u>14,263,589</u>
<u>Excess of Revenues and</u> <u>Other Financing Sources</u> <u>Over Expenditures and</u> <u>Other Financing Uses</u>	268,523	377,348	470,196	1,116,067
<u>Fund Balances - January 1</u>	<u>3,005,741</u>	<u>247,620</u>	<u>1,122,320</u>	<u>4,375,681</u>
<u>Fund Balances - December 31</u>	<u>\$ 3,274,264</u>	<u>\$ 624,968</u>	<u>\$ 1,592,516</u>	<u>\$ 5,491,748</u>

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

*EXHIBIT C*  
*TOWN OF BEDFORD, NEW HAMPSHIRE*  
*Combined Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Budget and Actual (Budgetary Basis)*  
*General and Special Revenue Funds*  
*For the Fiscal Year Ended December 31, 2002*

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
<u>Revenues</u>			
Taxes	\$ 6,146,798	\$ 6,183,715	\$ 36,917
Licenses and Permits	4,348,150	4,336,893	(11,257)
Intergovernmental	1,132,936	1,148,424	15,488
Charges for Services	858,150	565,091	(293,059)
Miscellaneous	1,347,690	1,104,650	(243,040)
<u>Other Financing Sources</u>			
Operating Transfers In	<u>261,166</u>	<u>274,582</u>	<u>13,416</u>
<u>Total Revenues and Other Financing Sources</u>	<u>14,094,890</u>	<u>13,613,355</u>	<u>(481,535)</u>
<u>Expenditures</u>			
<u>Current</u>			
General Government	2,776,119	2,610,606	165,513
Public Safety	3,769,060	3,532,397	236,663
Highways and Streets	3,706,540	3,697,998	8,542
Sanitation	956,186	979,832	(23,646)
Welfare	33,600	11,720	21,880
Culture and Recreation	892,143	911,761	(19,618)
Conservation	82,487	15,589	66,898
Debt Service	1,401,505	1,401,505	
<u>Other Financing Uses</u>			
Operating Transfers Out	<u>477,250</u>	<u>477,250</u>	
<u>Total Expenditures and Other Financing Uses</u>	<u>14,094,890</u>	<u>13,638,658</u>	<u>456,232</u>
<u>Deficiency of Revenues and</u>			
<u>Other Financing Sources Under</u>			
<u>Expenditures and Other Financing Uses</u>	<u>\$ -0-</u>	(25,303)	<u>\$ (25,303)</u>
<u>Unreserved Fund Balances - January 1</u>		<u>2,771,634</u>	
<u>Unreserved Fund Balances - December 31</u>		<u>\$ 2,746,331</u>	

<u>Annually Budgeted Special Revenue Funds</u>			<u>Total (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$	\$	\$	\$ 6,146,798	\$ 6,183,715	\$ 36,917
			4,348,150	4,336,893	(11,257)
			1,132,936	1,148,424	15,488
418,731	410,665	(8,066)	1,276,881	975,756	(301,125)
220,000	603	(219,397)	1,567,690	1,105,253	(462,437)
			<u>261,166</u>	<u>274,582</u>	<u>13,416</u>
<u>638,731</u>	<u>411,268</u>	<u>(227,463)</u>	<u>14,733,621</u>	<u>14,024,623</u>	<u>(708,998)</u>
220,000		220,000	2,996,119	2,610,606	385,513
339,350	203,299	136,051	4,108,410	3,735,696	372,714
			3,706,540	3,697,998	8,542
			956,186	979,832	(23,646)
			33,600	11,720	21,880
79,381	295,294	(215,913)	971,524	1,207,055	(235,531)
			82,487	15,589	66,898
			1,401,505	1,401,505	
	<u>30,000</u>	<u>(30,000)</u>	<u>477,250</u>	<u>507,250</u>	<u>(30,000)</u>
<u>638,731</u>	<u>528,593</u>	<u>110,138</u>	<u>14,733,621</u>	<u>14,167,251</u>	<u>566,370</u>
<u>\$ -0-</u>	(117,325)	<u>\$ (117,325)</u>	<u>\$ -0-</u>	(142,628)	<u>\$ (142,628)</u>
	<u>165,328</u>			<u>2,936,962</u>	
	<u>\$ 48,003</u>			<u>\$ 2,794,334</u>	

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

*EXHIBIT D*  
*TOWN OF BEDFORD, NEW HAMPSHIRE*  
*Combined Statement of Revenues, Expenses*  
*and Changes in Retained Earnings/Fund Balance*  
*All Proprietary Fund Types and Nonexpendable Trust Funds*  
*For the Fiscal Year Ended December 31, 2002*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<u>Operating Revenues</u>			
<u>Charges For Sales and Services</u>			
User Charges	\$ 649,445	\$	\$ 649,445
Job Works	194,654		194,654
Miscellaneous	35,659		35,659
Interest	<u>                    </u>	<u>699</u>	<u>699</u>
<u>Total Operating Revenues</u>	<u>879,758</u>	<u>699</u>	<u>880,457</u>
<u>Operating Expenses</u>			
<u>Cost of Sales and Services</u>			
Salaries and Wages	51,668		51,668
Contracted Services	247,008		247,008
Maintenance and Repairs	6,784		6,784
Utilities	2,333		2,333
Administration	67,324		67,324
Depreciation	<u>163,082</u>	<u>                    </u>	<u>163,082</u>
<u>Total Operating Expenses</u>	<u>538,199</u>	<u>                    </u>	<u>538,199</u>
<u>Operating Income</u>	<u>341,559</u>	<u>699</u>	<u>342,258</u>
<u>Nonoperating Revenues (Expenses)</u>			
State Aid	20,318		20,318
Interest Expense	<u>(83,769)</u>	<u>                    </u>	<u>(83,769)</u>
<u>Total Nonoperating Revenues (Expenses)</u>	<u>(63,451)</u>	<u>                    </u>	<u>(63,451)</u>
<u>Income Before Operating Transfers</u>	<u>278,108</u>	<u>699</u>	<u>278,807</u>
<u>Operating Transfers</u>			
Transfers Out	<u>(85,000)</u>	<u>                    </u>	<u>(85,000)</u>
<u>Net Income</u>	193,108	699	193,807
<u>Add Depreciation on Fixed Assets Acquired by Grants Externally Restricted for Capital Expenditures and Construction that Reduces Contributed Capital</u>	<u>72,051</u>	<u>                    </u>	<u>72,051</u>
<u>Increase in Retained Earnings/Fund Balance</u>	265,159	699	265,858
<u>Retained Earnings/Fund Balance - January 1</u>	<u>1,600,750</u>	<u>41,192</u>	<u>1,641,942</u>
<u>Retained Earnings/Fund Balance - December 31</u>	<u>\$ 1,865,909</u>	<u>\$ 41,891</u>	<u>\$ 1,907,800</u>

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

*EXHIBIT E*  
*TOWN OF BEDFORD, NEW HAMPSHIRE*  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types and Nonexpendable Trust Funds*  
*For the Fiscal Year Ended December 31, 2002*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 868,505	\$	\$ 868,505
Cash Received from Other Sources	85,659		85,659
Cash Paid to Suppliers	(365,731)		(365,731)
Cash Paid to Employees	(51,668)		(51,668)
Cash Received as Interest	<u>        </u>	<u>699</u>	<u>699</u>
<u>Net Cash Provided by Operating Activities</u>	<u>536,765</u>	<u>699</u>	<u>537,464</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Payments to Other Funds	<u>(35,000)</u>	<u>        </u>	<u>(35,000)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>			
Bond Principal Payments	(163,973)		(163,973)
Payments to Capital Reserve Fund	(50,000)		(50,000)
State Aid Received	20,318		20,318
Interest Paid	<u>(83,769)</u>	<u>        </u>	<u>(83,769)</u>
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>(277,424)</u>	<u>        </u>	<u>(277,424)</u>
<u>Cash Flows From Investing Activities</u>			
Purchase of Investments	<u>        </u>	<u>(699)</u>	<u>(699)</u>
<u>Net Increase in Cash</u>	<u>224,341</u>		<u>224,341</u>
<u>Cash - January 1</u>	<u>815,908</u>	<u>(12)</u>	<u>815,896</u>
<u>Cash - December 31</u>	<u>\$ 1,040,249</u>	<u>\$ (12)</u>	<u>\$ 1,040,237</u>

*Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities*

<u>Operating Income</u>	<u>\$ 341,559</u>	<u>\$ 699</u>	<u>\$ 342,258</u>
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>			
Depreciation Expense	163,082		163,082
Increase in Accounts Receivable	(7,860)		(7,860)
Decrease in Intergovernmental Receivable	29,631		29,631
Decrease in Other Receivables	2,636		2,636
Increase in Accounts Payable	<u>7,717</u>	<u>        </u>	<u>7,717</u>
<u>Total Adjustments</u>	<u>195,206</u>	<u>        </u>	<u>195,206</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 536,765</u>	<u>\$ 699</u>	<u>\$ 537,464</u>

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

*TOWN OF BEDFORD, NEW HAMPSHIRE*  
*NOTES TO FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2002*

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*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

**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 government'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 accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the Town:

*Governmental Fund Types*

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

*Proprietary Fund Type*

**Enterprise Fund** - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Fiduciary Fund Types*

**Trust and Agency Funds** - These funds account for assets held or established under a formal trust agreement or Town Meeting vote, or assets held by the Town as a trustee or agent for individuals, private organizations, or other units of government.

TOWN OF BEDFORD, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

*Account Groups*

Account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations. The Town uses the following account groups:

**General Fixed Assets Account Group** - General fixed assets have been acquired for general governmental purposes and have been recorded as expenditures in the applicable fund. These acquisitions are required to be capitalized at historical cost in the General Fixed Assets Account Group. In accordance with the practice followed by most other municipal entities in the State, the Town does not maintain such a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by U.S. generally accepted accounting principles, is not included in this financial report.

**General Long-Term Debt Account Group** - This account group is established to account for all long-term debt of the Town except that which is accounted for in the Enterprise Fund.

1-C Measurement Focus/Basis of Accounting

Governmental, Expendable Trust and Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, fines and forfeits, and most miscellaneous revenues are recorded when received in cash. General taxes, intergovernmental revenues, charges for services, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepayments, debt service, and other long-term obligations, which are recognized when due.

Proprietary and Nonexpendable Trust 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 incurred (flow of economic resources measurement focus). In accounting for Proprietary Funds under this basis and measurement focus, the Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

1-D Assets, Liabilities and Fund Equity

1-D-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 pay out the same only upon orders of the Town Manager. The treasurer shall deposit all 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 or 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.

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

**Investments** - Whenever 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. New Hampshire law authorizes the Town to invest in the following types of obligations:

- Obligations of the United States Government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits, or
- 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 as of the balance sheet date which is based on quoted market prices.

1-D-2 Receivables

Tax revenue is recorded when a warrant for collection is committed to the Tax Collector. All taxes receivable are shown net of an allowance for uncollectible amounts. The allowance has been established for potential abatements of uncollected taxes.

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.

Various service charges (police and sewer) are recorded as revenue for the period when service was provided.

1-D-3 Interfund Balances and Activity

During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services and fund capital outlay. The accompanying governmental, proprietary, and fiduciary fund financial statements reflect such transactions as transfers. To the extent that certain transactions have not been paid or received as of December 31, balances of interfund amounts receivable or payable have been recorded. Also, an interfund receivable/payable has been established to account for the Agency Fund assets that are held in the General Fund.

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

1-D-4 Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-D-5 Compensated Absences

Employees may accumulate a limited amount of earned, but unused vested benefits which will be paid upon separation from the Town's service. In Governmental Fund Types, the cost of vested benefits paid or expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the fund. Amounts of vested or accumulated leave benefits that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts.

1-D-6 Deferred Revenue

The government reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

1-D-7 Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported in the 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 judgements, 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.

The Town reports long-term debt of Governmental Funds at face value in the General Long-Term Debt Account Group. Certain other Governmental Fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account Group. Long-term debt and other obligations financed by the Proprietary Fund are reported as liabilities in the fund.

1-D-8 Fund Equity

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 that 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.

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

The following reserves are used by the Town:

**Reserved for Encumbrances** - is used to account for open purchase orders, contracts and other commitments at year-end for which goods and services have not been received.

**Reserved for Endowments** - represents the principal balance of the Town's Nonexpendable Trust Funds which must be held for investment purposes only.

**Reserved for Special Purposes** - is used to account for the unencumbered balance of restricted funds. These consist of the Town's Expendable Trust Funds, and the income portion of the Town's Nonexpendable Trust Funds.

The following designation is used by the Town:

**Designated for Special Purposes** - is used to account for the unencumbered balances of Special Revenue Funds.

1-D-9 Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, 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.

1-D-10 Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

2-A Budgetary Information

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, Day Camp, Police Detail, Community TV and Sewer Department Funds. Except as reconciled on the following page, budgets are 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.

TOWN OF BEDFORD, NEW HAMPSHIRE

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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 2002, none of the beginning fund balance was applied for this purpose.

2-B Budget/GAAP Reconciliation

Amounts recorded as budgetary revenues and expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds (Exhibit C) are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with U.S. generally accepted accounting principles in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds (Exhibit B) as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
<u>Revenues and Other Financing Sources</u>		
Per Exhibit C (Budgetary Basis)	\$ 13,613,355	\$ 411,268
<u>Adjustments</u>		
<u>Basis Difference</u>		
Retirement Contributions Paid by the State of New Hampshire	67,729	
<u>Entity Difference</u>		
<u>Unbudgeted Funds</u>		
Public Library		23,453
Other Funds		584,061
	<hr/>	<hr/>
Per Exhibit B (GAAP Basis)	<u>\$ 13,681,084</u>	<u>\$ 1,018,782</u>
 <u>Expenditures and Other Financing Uses</u>		
Per Exhibit C (Budgetary Basis)	\$ 13,638,658	\$ 528,593
<u>Adjustments</u>		
<u>Basis Difference</u>		
Encumbrances - December 31, 2001	234,107	9,500
Encumbrances - December 31, 2002	(527,933)	(2,349)
Retirement Contributions Paid by the State of New Hampshire	67,729	
<u>Entity Difference</u>		
<u>Unbudgeted Funds</u>		
Public Library		22,084
Other Funds		83,606
	<hr/>	<hr/>
Per Exhibit B (GAAP Basis)	<u>\$ 13,412,561</u>	<u>\$ 641,434</u>

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

2-C Bonds or Notes Authorized - Unissued

Bonds and notes authorized and unissued as of December 31, 2002 were as follows:

<u>Per Town Meeting Vote of</u>	<u>Purpose</u>	<u>Unissued Amount</u>
March 1981	Sewer Construction	\$ 404,000

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

3-A Cash, Cash Equivalents and Investments

At year-end, the Town's carrying amount of deposits was \$14,360,138, and the bank balance was \$14,385,612. Of the bank balance, \$342,626 was insured or collateralized with securities held by the Town or its agent in the Town's name; \$12,522,417 was collateralized with securities held by the pledging financial institutions's trust department or agent in the government's name; and \$1,520,569 was uninsured and uncollateralized.

*Repurchase Agreement*

Included in the Town's cash equivalents at December 31, 2002, 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, 2002, the Town held the investment in the following repurchase agreement:

<u>Amount</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Collateral Pledged Underlying Securities</u>	<u>Market Value</u>
\$ 10,200,440	1.185	January 2, 2003	FNMA and GNR	\$ 10,666,921

*Cash and Equivalents - Statement of Cash Flows*

Cash and equivalents reported for the Sewer Department Enterprise Fund in Exhibit E, Combined Statement of Cash Flows, consists of an interfund receivable of \$1,040,249 representing equity in pooled cash.

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 or registered for which the securities are held by the Town or its agent in the Town's name.

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

*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.

	Category			Fair Value
	1	2	3	
Certificates of Deposit	\$ 6,910,590	\$ -0-	\$ -0-	\$ 6,910,590

**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, 2002, upon which the 2002 property tax levy was based is:

For the New Hampshire Education Tax	\$ 1,777,371,881
For All Other Taxes	\$ 1,792,937,256

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 sent on or around June 1 and November 1 of each year, with interest accruing at a rate of 12% on bills outstanding for more than 30 days. 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.

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 and resident 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 taxes collected for these other entities are recorded in an Agency Fund. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2002, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal Portion	\$ 3.23	\$ 5,802,251
<u>School Portion</u>		
State of New Hampshire	\$ 5.87	10,431,664
Local	\$ 8.67	15,537,129
County Portion	\$ 1.79	3,207,440
<u>Total Property Taxes Assessed</u>		<u>\$34,978,484</u>

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

During the current fiscal year, the Tax Collector executed a lien on May 21 for all uncollected 2001 property taxes.

Taxes receivable at December 31, 2002, are as follows:

<u>Property</u>		
Levy of 2002		\$ 1,015,752
<u>Unredeemed (under tax lien)</u>		
Levy of 2001		135,303
Levy of 2000		102,154
Levy of 1999		3,803
Levy of Prior Years		805
Land Use Change		210,756
Less: Allowance for estimated uncollectible taxes		<u>(93,800)</u>
 <u>Net Taxes Receivable</u>		 <u>\$ 1,374,773</u>

3-C Other Receivables

Receivables at December 31, 2002, consisted of accounts (billings for water, sewer and other user charges), and intergovernmental receivables arising from grants.

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.

Amounts due at December 31, 2002 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts	\$ 171,486	\$ 51,953	\$ 198,961	\$ 422,400
Special Assessments			163,425	163,425
Intergovernmental	12,878		302,688	315,566
Other			<u>26,350</u>	<u>26,350</u>
 <u>Total</u>	 <u>\$ 184,364</u>	 <u>\$ 51,953</u>	 <u>\$ 691,424</u>	 <u>\$ 927,741</u>

3-D Interfund Balances and Transfers

Interfund balances at December 31, 2002 consist of overdrafts in the pooled cash and investments, budgetary transfers or short-term interfund loans which are expected to be repaid within one year.

TOWN OF BEDFORD, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

Individual fund interfund receivable and payable balances at December 31, 2002 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 13,936	\$ 13,735,167
Special Revenue Funds	35,184	157,225
Enterprise Fund	1,040,249	
Trust Funds	112,188	
Agency Fund	12,690,835	
<u>Totals</u>	\$ 13,892,392	\$ 13,892,392

Interfund transfers for the year ended December 31, 2002 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 274,582	\$ 477,250
Special Revenue Funds		30,000
Enterprise Fund		85,000
Trust Funds	527,250	209,582
<u>Totals</u>	\$ 801,832	\$ 801,832

3-E Intergovernmental Payable

Amounts due to other governments at December 31, 2002 consist of:

<u>Trust Funds</u>		
<u>Expendable</u>		
Balance of funds belonging to the Bedford School District		\$ 924,615
<u>Agency Fund</u>		
Balance of 2002-2003 district assessment due to the Bedford School District		12,690,835
<u>Total</u>		\$ 13,615,450

3-F Deferred Revenue

*General Fund*

Deferred revenue at December 31, 2002 consists of \$875,295 deferred to pay debt service incurred for the purchase of Joppa Hill land and \$8,034 representing other deferred revenue.

*Special Revenue Fund*

**Police Detail Fund** - The deferred revenue of \$339 consists of overpayments received which are being applied to subsequent billings.

*Enterprise Fund*

**Sewer Department Fund** - The deferred revenue of \$163,425 represents betterment assessments not currently available.

TOWN OF BEDFORD, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

3-G Long-Term Debt

Changes in the Town's long-term obligations during the year ended December 31, 2002, consisted of the following:

	<u>Balances</u> <u>January 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>December 31, 2002</u>
General Obligation				
Bonds/Notes	\$ 7,050,000	\$	\$ 540,000	\$ 6,510,000
Capital Leases	393,536		161,107	232,429
Compensated Absences	702,556		9,893	692,663
Accrued Landfill				
Postclosure Care Costs	567,000	57,000		624,000
<u>Enterprise Fund</u>				
Sewer Department	<u>1,834,865</u>	<u>          </u>	<u>163,973</u>	<u>1,670,892</u>
<u>Totals</u>	<u>\$ 10,547,957</u>	<u>\$ 57,000</u>	<u>\$ 874,973</u>	<u>\$ 9,729,984</u>

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

	<u>Original</u> <u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u> <u>%</u>	<u>Outstanding</u> <u>at</u> <u>December 31, 2002</u>
<u>General Long-Term Debt</u>					
<u>Account Group</u>					
<u>General Obligation</u>					
<u>Bonds/Notes Payable</u>					
Safety Complex	\$ 2,000,000	1995	2014	5.4-6.0	\$ 1,200,000
Library Construction	\$ 2,200,000	1996	2016	5.2-5.8	1,540,000
Landfill Closure	\$ 2,003,924	1999	2019	4.48	1,700,000
Joppa Hill Land	\$ 2,300,000	2001	2011	4.00-4.35	<u>2,070,000</u>
					<u>6,510,000</u>
<u>Capital Leases Payable</u>					
Fire Truck	\$ 415,000	1999	2004	4.74	180,090
Grader	\$ 122,000	1999	2004	4.74	<u>52,339</u>
					<u>232,429</u>
<u>Compensated Absences Payable</u>					
Vested Sick Leave					437,391
Accrued Vacation Leave					<u>255,272</u>
					<u>692,663</u>
<u>Accrued Landfill</u>					
Postclosure Care Costs					<u>624,000</u>
<u>Total General Long-Term</u>					
<u>Debt Account Group</u>					<u>8,059,092</u>
<u>Enterprise Fund</u>					
Wastewater Facility	\$ 489,731	1996	2005	3.00	195,892
Sewer Construction	\$ 2,020,000	1998	2012	4.00-4.85	<u>1,475,000</u>
<u>Total Enterprise Fund</u>					<u>1,670,892</u>
<u>Total General Long-Term</u>					
<u>Debt Account Group</u>					
<u>and Enterprise Fund</u>					<u>\$ 9,729,984</u>

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2002, including interest payments, are as follows:

*Annual Requirements To Amortize General Obligation Bonds/Notes Payable*

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 540,000	\$ 311,315	\$ 851,315
2004	540,000	286,515	826,515
2005	540,000	261,715	801,715
2006	540,000	236,665	776,665
2007	540,000	211,515	751,515
2008-2012	2,470,000	673,430	3,143,430
2013-2017	1,140,000	180,902	1,320,902
2018-2019	<u>200,000</u>	<u>13,440</u>	<u>213,440</u>
<u>Totals</u>	<u>\$ 6,510,000</u>	<u>\$ 2,175,497</u>	<u>\$ 8,685,497</u>

*Annual Requirements to Amortize Capital Leases Payable*

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 113,479	\$ 7,565	\$ 121,044
2004	<u>118,950</u>	<u>2,093</u>	<u>121,043</u>
<u>Totals</u>	<u>\$ 232,429</u>	<u>\$ 9,658</u>	<u>\$ 242,087</u>

*Annual Requirements To Amortize Enterprise Fund Debt Payable*

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 168,973	\$ 71,534	\$ 240,507
2004	178,973	65,195	244,168
2005	178,973	58,318	237,291
2006	188,973	51,375	240,348
2007	140,000	43,937	183,937
2008-2012	<u>815,000</u>	<u>118,398</u>	<u>933,398</u>
<u>Totals</u>	<u>\$ 1,670,892</u>	<u>\$ 408,757</u>	<u>\$ 2,079,649</u>

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

Both lease-purchase agreements contain non-appropriation funding clauses whereby, in the event no funds or insufficient funds are appropriated by the Town, the leases shall terminate without penalty or expense to the Town.

TOWN OF BEDFORD, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

*Landfill Postclosure Care Costs*

The Town's landfill was closed in 1998. 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 in the General Long-Term Debt Account Group based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$624,000 as of December 31, 2002, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2002. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town expects to finance the postclosure care costs by appropriations and use of a Capital Reserve Fund established for such costs which has a balance of \$67,759 at year-end.

3-H State Aid to Water Pollution Projects

Under N.H. RSA Chapter 486, the Town receives from the State of New Hampshire a percent of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2002, the Town is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2003	\$ 49,068
2004	49,491
2005	48,784
2006	38,444
2007	37,829
2008-2013	<u>190,318</u>
<u>Total</u>	<u>\$ 413,934</u>

3-I Segment Information For Enterprise Fund

The Town maintains one Enterprise Fund, the Sewer Department Fund which accounts for the provision of basic sewage treatment facilities. Selected segment information for the year ended December 31, 2002, is as follows:

Operating Revenues	\$ 879,758
Depreciation	163,082
Operating Income	341,559
Net Income	193,108
Depreciation Reducing Capital Contributions	72,051
Net Working Capital	1,396,155
Total Assets	6,323,989
Bonds and Other Long-Term Liabilities	
Payable from Operating Revenues	1,506,919
Total Equity	4,481,552

TOWN OF BEDFORD, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

3-J Changes in Contributed Capital - Enterprise Fund

*Sewer Department*

Contributed Capital - January 1, 2002	\$ 2,687,694
Depreciation Applied to Contributed Capital	<u>72,051</u>
Contributed Capital - December 31, 2002	<u>\$ 2,615,643</u>

3-K Other Special Revenue Funds

The unreserved fund balances (deficit) of the various Special Revenue Funds that are grouped together under the heading "Other Funds" are as follows at December 31, 2002:

Fire Department Donations	\$ 20
Police Department Communications	2,100
Friends of Police	786
Community Police	343
D.A.R.E.	950
Recreation Capital Facilities	3,560
Planning Board	(11,944)
Historic District Commission	3,957
Zoning Board	18,020
Heritage Trail	1,169
Pulpit Rock	3,288
Performance Stage	2,405
Town Hall Restoration	1,276
Bedford Center Park	8,241
Legacy Park	5,747
Community Center Donations	3,183
Sleigh Renovations	104
School Impact Fees	461,138
Tennis Court Lights	1,004
Memorial Tree	<u>50</u>
<u>Total</u>	<u>\$ 505,397</u>

**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

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

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 year 2002, the Town contributed 5.33% for police officers, 6.61% for firefighters and 4.14% for other employees. The contribution requirements for the Town of Bedford for the years 2000, 2001, and 2002 were \$169,151, \$117,123, and \$154,399, 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 \$67,729 has been included on Exhibit B - Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds and is reconciled to the budgetary expenditures in Note 2-B.

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 2002, the Town was a member of the New Hampshire Municipal Association Property-Liability Trust, Inc. 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 New Hampshire Municipal Association 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 NHMA Property-Liability Trust, Inc., 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.

*TOWN OF BEDFORD, NEW HAMPSHIRE*

*NOTES TO FINANCIAL STATEMENTS*

*DECEMBER 31, 2002*

Contributions paid in 2002 for FY2003 ending June 30, 2003, to be recorded as an insurance expenditure totaled \$106,572. There were no unpaid contributions for the year ending June 30, 2003 and due in 2002. 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 through June 30. 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, 2002 was \$53,292. 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.

4-C Contingent Liabilities

*Grants*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the Federal government. 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.

4-D New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement establishes new financial reporting requirements for all state and local governments. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Town is required to implement this standard for the year ending December 31, 2003.

*SUPPLEMENTAL SCHEDULES*

SCHEDULE A-1  
TOWN OF BEDFORD, NEW HAMPSHIRE  
General Fund  
Statement of Estimated and Actual Revenues  
For the Fiscal Year Ended December 31, 2002

<u>REVENUES</u>	<u>Estimated</u>	<u>Actual</u>	<u>Over (Under) Estimate</u>
<u>Taxes</u>			
Property	\$ 5,668,598	\$ 5,669,557	\$ 959
Land Use Change	310,000	360,355	50,355
Timber	2,500	5,401	2,901
Excavation	650		(650)
Interest and Penalties on Taxes	<u>165,050</u>	<u>148,402</u>	<u>(16,648)</u>
Total Taxes	<u>6,146,798</u>	<u>6,183,715</u>	<u>36,917</u>
<u>Licenses, Permits and Fees</u>			
Business Licenses, Permits and Fees	12,500	13,089	589
Motor Vehicle Permit Fees	4,028,000	4,036,016	8,016
Building Permits	274,500	257,300	(17,200)
Other	<u>33,150</u>	<u>30,488</u>	<u>(2,662)</u>
Total Licenses, Permits and Fees	<u>4,348,150</u>	<u>4,336,893</u>	<u>(11,257)</u>
<u>Intergovernmental</u>			
<u>State</u>			
Shared Revenue	155,590	155,199	(391)
Meals and Rooms Distribution	547,416	547,416	
Highway Block Grant	371,847	371,847	
State and Federal Forest Land Reimbursement	140		(140)
Other	22,943	39,666	16,723
<u>Federal</u>			
COPS More Grant	<u>35,000</u>	<u>34,296</u>	<u>(704)</u>
Total Intergovernmental	<u>1,132,936</u>	<u>1,148,424</u>	<u>15,488</u>
<u>Charges For Services</u>			
Income From Departments	<u>858,150</u>	<u>565,091</u>	<u>(293,059)</u>
<u>Miscellaneous</u>			
Sale of Municipal Property	583,500	519,377	(64,123)
Interest on Investments	202,190	132,337	(69,853)
Other	<u>562,000</u>	<u>452,936</u>	<u>(109,064)</u>
Total Miscellaneous	<u>1,347,690</u>	<u>1,104,650</u>	<u>(243,040)</u>
<u>Other Financing Sources</u>			
<u>Operating Transfers In</u>			
<u>Interfund Transfers</u>			
Special Revenue Funds	30,000	30,000	
Enterprise Fund	35,000	35,000	
<u>Trust Funds</u>			
Expendable	194,966	209,582	14,616
Nonexpendable	<u>1,200</u>	<u>          </u>	<u>(1,200)</u>
Total Other Financing Sources	<u>261,166</u>	<u>274,582</u>	<u>13,416</u>
<u>Total Revenues and Other Financing Sources</u>	<u>\$14,094,890</u>	<u>\$13,613,355</u>	<u>\$ (481,535)</u>

See Independent Auditor's Report, page 1.

SCHEDULE A-2  
TOWN OF BEDFORD, NEW HAMPSHIRE  
General Fund  
Statement of Appropriations, Expenditures and Encumbrances  
For the Fiscal Year Ended December 31, 2002

	Encumbered From 2001	Appropriations 2002	Expenditures Net of Refunds	Encumbered To 2003	(Over) Under Budget
<b>Current</b>					
<b>General Government</b>					
Executive	\$ 2,900	\$ 191,265	\$ 208,753	\$	\$ (14,588)
Election and Registration		31,461	31,277		184
Financial Administration	12,484	507,828	466,418	45,667	8,227
Revaluation of Property		77,895	74,365	2,300	1,230
Legal		50,000	81,286		(31,286)
Planning and Zoning	141,321	230,678	364,637	4,493	2,869
General Government Buildings	61,500	325,925	380,969	60,000	(53,544)
Cemeteries		44,500	34,133	1,305	9,062
Insurance, not otherwise allocated		1,017,100	833,696	140,000	43,404
Advertising and Regional Associations		65,144	64,374		770
Other		234,323	35,138		199,185
Total General Government	<u>218,205</u>	<u>2,776,119</u>	<u>2,575,046</u>	<u>253,765</u>	<u>165,513</u>
<b>Public Safety</b>					
Police Department	10,380	2,113,673	2,028,049	6,750	89,254
Fire Department	4,847	1,558,678	1,207,413	208,600	147,512
Building Inspection		95,409	95,960		(551)
Emergency Management		1,300	852		448
Total Public Safety	<u>15,227</u>	<u>3,769,060</u>	<u>3,332,274</u>	<u>215,350</u>	<u>236,663</u>
<b>Highways and Streets</b>					
Administration		139,051	127,842	5,000	6,209
Highways and Streets		3,498,989	3,473,055	31,918	(5,984)
Street Lighting		68,500	60,183		8,317
Total Highways and Streets		<u>3,706,540</u>	<u>3,661,080</u>	<u>36,918</u>	<u>8,542</u>
<b>Sanitation</b>					
Solid Waste Disposal		956,186	979,082	750	(23,646)
<b>Welfare</b>					
Administration		25,000	3,264		21,736
Intergovernmental Payments		8,600	8,456		144
Total Welfare		<u>33,600</u>	<u>11,720</u>		<u>21,880</u>
<b>Culture and Recreation</b>					
Parks and Recreation	675	421,628	401,444	21,150	(291)
Library		465,315	485,830		(20,515)
Other		5,200	4,012		1,188
Total Culture and Recreation	<u>675</u>	<u>892,143</u>	<u>891,286</u>	<u>21,150</u>	<u>(19,618)</u>

*SCHEDULE A-2 (Continued)*  
*TOWN OF BEDFORD, NEW HAMPSHIRE*  
*General Fund*  
*Statement of Appropriations, Expenditures and Encumbrances*  
*For the Fiscal Year Ended December 31, 2002*

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	Encumbered From <u>2001</u>	Appropriations 2002	Expenditures Net of <u>Refunds</u>	Encumbered To <u>2003</u>	(Over) Under <u>Budget</u>
<u>Conservation</u>					
Administration	_____	<u>82,487</u>	<u>15,589</u>	_____	<u>66,898</u>
<u>Debt Service</u>					
Principal - Long-Term Debt		1,057,589	1,057,589		
Interest - Long-Term Debt	_____	<u>343,916</u>	<u>343,916</u>	_____	_____
Total Debt Service	_____	<u>1,401,505</u>	<u>1,401,505</u>	_____	_____
<u>Other Financing Uses</u>					
<u>Operating Transfers Out</u>					
<u>Interfund Transfers</u>					
<u>Trust Funds</u>					
<u>Expendable</u>					
Capital Reserve	_____	<u>477,250</u>	<u>477,250</u>	_____	_____
<u>Total Appropriations,</u>					
<u>Expenditures and Encumbrances</u>	<u>\$ 234,107</u>	<u>\$ 14,094,890</u>	<u>\$ 13,344,832</u>	<u>\$ 527,933</u>	<u>\$ 456,232</u>

See Independent Auditor's Report, page 1.

SCHEDULE A-3  
TOWN OF BEDFORD, NEW HAMPSHIRE  
General Fund  
Statement of Changes in Unreserved - Undesignated Fund Balance  
For the Fiscal Year Ended December 31, 2002

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<u>Unreserved - Undesignated</u>		
<u>Fund Balance - January 1</u>		\$ 2,771,634
<u>Deduction</u>		
<u>2002 Budget Summary</u>		
Revenue Shortfall (Schedule A-1)	\$ (481,535)	
Unexpended Balance of		
Appropriations (Schedule A-2)	<u>456,232</u>	
2002 Budget Deficit		<u>(25,303)</u>
<u>Unreserved - Undesignated</u>		
<u>Fund Balance - December 31</u>		<u>\$ 2,746,331</u>

See Independent Auditor's Report, page 1.

SCHEDULE B-1  
TOWN OF BEDFORD, NEW HAMPSHIRE  
Special Revenue Funds  
Combining Balance Sheet  
December 31, 2002

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<u>ASSETS</u>	<u>Day Camp</u>	<u>Police Detail</u>	<u>Community TV</u>	<u>Public Library</u>	<u>Other Funds</u>	<u>Total</u>
Cash and Equivalents	\$	\$	\$	\$ 2,095	\$ 698,429	\$ 700,524
Accounts Receivable		20,408			31,545	51,953
Interfund Receivable	<u>13,910</u>	<u>17,122</u>	<u>4,152</u>	<u>      </u>	<u>      </u>	<u>35,184</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,910</u></b>	<b><u>\$ 37,530</u></b>	<b><u>\$ 4,152</u></b>	<b><u>\$ 2,095</u></b>	<b><u>\$ 729,974</u></b>	<b><u>\$ 787,661</u></b>
 <u>LIABILITIES AND EQUITY</u>						
<u>Liabilities</u>						
Accounts Payable	\$	\$	\$ 4,901	\$	\$ 228	\$ 5,129
Interfund Payable					157,225	157,225
Deferred Revenue		<u>339</u>				<u>339</u>
Total Liabilities		<u>339</u>	<u>4,901</u>		<u>157,453</u>	<u>162,693</u>
 <u>Equity</u>						
<u>Fund Balances</u>						
Reserved For Encumbrances			2,349		67,124	69,473
<u>Unreserved</u>						
Designated For Special Purposes	<u>13,910</u>	<u>37,191</u>	<u>(3,098)</u>	<u>2,095</u>	<u>505,397</u>	<u>555,495</u>
Total Equity	<u>13,910</u>	<u>37,191</u>	<u>(749)</u>	<u>2,095</u>	<u>572,521</u>	<u>624,968</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 13,910</u></b>	<b><u>\$ 37,530</u></b>	<b><u>\$ 4,152</u></b>	<b><u>\$ 2,095</u></b>	<b><u>\$ 729,974</u></b>	<b><u>\$ 787,661</u></b>

See Independent Auditor's Report, page 1.

**SCHEDULE B-2**  
**TOWN OF BEDFORD, NEW HAMPSHIRE**  
**Special Revenue Funds**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*For the Fiscal Year Ended December 31, 2002*

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	<u>Day</u> <u>Camp</u>	<u>Police</u> <u>Detail</u>	<u>Community</u> <u>TV</u>	<u>Public</u> <u>Library</u>	<u>Other</u> <u>Funds</u>	<u>Total</u>
<b>Revenues</b>						
Charges for Services	\$ 84,228	\$ 209,767	\$ 116,670	\$	\$ 563,135	\$ 973,800
Miscellaneous	<u>          </u>	<u>      603</u>	<u>          </u>	<u>  23,453</u>	<u>  20,926</u>	<u>  44,982</u>
<b>Total Revenues</b>	<u>  84,228</u>	<u> 210,370</u>	<u>  116,670</u>	<u>  23,453</u>	<u> 584,061</u>	<u>1,018,782</u>
<b>Expenditures</b>						
<b>Current</b>						
General Government					57,976	57,976
Public Safety		203,299			2,399	205,698
Culture and Recreation	75,294		227,151	22,084	23,231	347,760
<b>Other Financing Uses</b>						
Operating Transfers Out	<u> 10,000</u>	<u>  20,000</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>  30,000</u>
<b>Total Expenditures and</b> <b>Other Financing Uses</b>	<u>  85,294</u>	<u> 223,299</u>	<u>  227,151</u>	<u>  22,084</u>	<u>  83,606</u>	<u> 641,434</u>
<b>Excess (Deficiency) of Revenues</b> <b>Over (Under) Expenditures</b> <b>and Other Financing Uses</b>						
	(1,066)	(12,929)	(110,481)	1,369	500,455	377,348
<b>Fund Balances - January 1</b>	<u> 14,976</u>	<u>  50,120</u>	<u> 109,732</u>	<u>    726</u>	<u>  72,066</u>	<u> 247,620</u>
<b>Fund Balances (Deficit) - December 31</b>	<u>\$  13,910</u>	<u>\$  37,191</u>	<u>\$    (749)</u>	<u>\$   2,095</u>	<u>\$ 572,521</u>	<u>\$  624,968</u>

See Independent Auditor's Report, page 1.

**SCHEDULE C-1**  
**TOWN OF BEDFORD, NEW HAMPSHIRE**  
*Trust and Agency Funds*  
*Combining Balance Sheet*  
*December 31, 2002*

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<u>ASSETS</u>	Trust Funds		Agency	Total
	Expendable	Nonexpendable	Funds	
	Capital			
	Reserve			
Cash and Equivalents	\$ 536,256	\$	\$ 1,216,753	\$ 1,753,009
Investments	1,868,687	41,903		1,910,590
Interfund Receivable	112,188		12,690,835	12,803,023
<b>TOTAL ASSETS</b>	<b>\$ 2,517,131</b>	<b>\$ 41,903</b>	<b>\$ 13,907,588</b>	<b>\$ 16,466,622</b>
 <u>LIABILITIES AND EQUITY</u>				
<u>Liabilities</u>				
Cash Overdraft	\$	\$ 12	\$	\$ 12
Intergovernmental Payable	924,615		12,690,835	13,615,450
Escrow and Performance Deposits			1,216,753	1,216,753
<b>Total Liabilities</b>	<b>924,615</b>	<b>12</b>	<b>13,907,588</b>	<b>14,832,215</b>
 <u>Equity</u>				
<u>Fund Balances</u>				
Reserved For Endowments		39,455		39,455
Reserved For Special Purposes	1,592,516	2,436		1,594,952
<b>Total Equity</b>	<b>1,592,516</b>	<b>41,891</b>		<b>1,634,407</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,517,131</b>	<b>\$ 41,903</b>	<b>\$ 13,907,588</b>	<b>\$ 16,466,622</b>

See Independent Auditor's Report, page 1.



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## *INDEPENDENT AUDITOR'S COMMUNICATION OF REPORTABLE CONDITIONS AND OTHER MATTERS*

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

In planning and performing our audit of the Town of Bedford for the year ended December 31, 2002, we considered the Town's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinion on the financial statements. Our review of these systems was not intended to provide assurance on the internal control structure and should not be relied on for that purpose.

Under the standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might constitute reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We are pleased to report that, during the course of our review of internal controls, no material weaknesses in the Town's accounting systems and records were identified. Minor weaknesses or other considerations coming to our attention were generally procedural in nature and dealt with administrative or recordkeeping practices. In these instances, we made specific recommendations or provided instruction to applicable individuals during the course of our audit fieldwork.

This report is intended solely for the information and use of management and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Plodzik & Sanderson  
Professional Association*

April 16, 2003