



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE December 11, 2003

Contact: Andy Nielsen  
515/281-5515

Auditor of State David A. Vaudt today released an audit report on the City of Bedford, Iowa.

The City's receipts totaled \$2,537,210 for the year ended June 30, 2003. The receipts included \$315,012 in property tax, \$34,503 in tax increment financing collections, \$162,854 from the state, \$257,082 from the federal government and \$17,504 in interest on investments. The City also received note proceeds of \$280,012 and proceeds from the sale of property of \$100,000 that are reported as other financing sources.

Disbursements for the year totaled \$2,591,865, and included \$1,155,003 for business type activities, \$379,731 for capital projects and \$293,677 for public works.

This report contains recommendations to the City Council and other City officials. For example, duties among employees should be segregated to prevent individual employees from handling duties which are incompatible. Also, the budget for the year ended June 30, 2003 should have been amended in accordance with the Code of Iowa before disbursements were allowed to exceed the budget. The City's responses are included in this report.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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**CITY OF BEDFORD**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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**City of Bedford**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lary Wyckoff	Mayor	Jan 2004
Garnita Ewart	Council Member	Jan 2004
Adrian Klepinger	Council Member	Jan 2004
Clyde Stephenson	Council Member	(Deceased)
Bobby Smith	Council Member	Jan 2004
Randal Simmons	Council Member	Jan 2004
Robert Walston (Appointed)	Council Member	Jan 2004
Tammy Thompson	Clerk/Treasurer	Indefinite
Kay Dukes	Treasurer	Indefinite
Michael Travis	Attorney	Indefinite

**City of Bedford**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Bedford, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Bedford's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2002.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2002, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Bedford as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2003 on our consideration of the City of Bedford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2002, as discussed in the third preceding paragraph, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 19, 2003



## **Financial Statements**

City of Bedford  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2003

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Receipts:		
Property tax	\$ 205,050	33,274
Tax increment financing collections	-	34,503
Other city tax	12,818	1,091
Licenses and permits	3,676	-
Use of money and property	14,836	3,100
Intergovernmental	30,107	180,457
Charges for service	167,902	-
Miscellaneous	98,384	109,978
Total receipts	<u>532,773</u>	<u>362,403</u>
Disbursements:		
Public safety	195,465	-
Public works	176,508	117,169
Health and social services	1,268	-
Culture and recreation	76,969	-
Community and economic development	-	142,095
General government	135,092	-
Debt service	-	-
Capital projects	-	-
Business type activities	-	-
Non-program	-	-
Total disbursements	<u>585,302</u>	<u>259,264</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(52,529)</u>	<u>103,139</u>
Other financing sources (uses):		
General obligation capital loan note proceeds (net of \$4,988 discount)	163,198	-
Sale of property	-	100,000
Operating transfers in	152,111	11,300
Operating transfers out	(69,292)	(201,612)
Total other financing sources (uses)	<u>246,017</u>	<u>(90,312)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	193,488	12,827
Balance beginning of year	<u>158,804</u>	<u>51,775</u>
Balance end of year	<u>\$ 352,292</u>	<u>64,602</u>

See notes to financial statements.

Types		Proprietary Fund Types		Fiduciary	Total
Debt	Capital	Enterprise	Internal	Fund Type	(Memorandum
Service	Projects		Service	Trust	Only)
76,688	-	-	-	-	315,012
-	-	-	-	-	34,503
2,361	-	-	-	-	16,270
-	-	-	-	-	3,676
-	45	3,035	-	693	21,709
-	211,700	-	-	-	422,264
-	-	1,238,018	-	-	1,405,920
-	5,188	12,038	80,147	12,121	317,856
79,049	216,933	1,253,091	80,147	12,814	2,537,210
-	-	-	-	-	195,465
-	-	-	-	-	293,677
-	-	-	-	-	1,268
-	-	-	-	10,801	87,770
-	-	-	-	48	142,143
-	-	-	-	-	135,092
124,496	-	-	-	-	124,496
-	379,731	-	-	-	379,731
-	-	1,155,003	-	-	1,155,003
-	-	-	77,220	-	77,220
124,496	379,731	1,155,003	77,220	10,849	2,591,865
(45,447)	(162,798)	98,088	2,927	1,965	(54,655)
-	116,814	-	-	-	280,012
-	-	-	-	-	100,000
44,626	-	182,283	-	-	390,320
-	-	(119,416)	-	-	(390,320)
44,626	116,814	62,867	-	-	380,012
(821)	(45,984)	160,955	2,927	1,965	325,357
2,057	46,549	607,471	19	39,213	905,888
1,236	565	768,426	2,946	41,178	1,231,245

City of Bedford

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property tax	\$ 315,012	-	315,012
Tax increment financing collections	34,503	-	34,503
Other city tax	16,270	-	16,270
Licenses and permits	3,676	-	3,676
Use of money and property	21,709	-	21,709
Intergovernmental	422,264	-	422,264
Charges for service	1,405,920	-	1,405,920
Miscellaneous	317,856	80,247	237,609
Total receipts	<u>2,537,210</u>	<u>80,247</u>	<u>2,456,963</u>
<b>Disbursements:</b>			
Public safety	195,465	-	195,465
Public works	293,677	-	293,677
Health and social services	1,268	-	1,268
Culture and recreation	87,770	-	87,770
Community and economic development	142,143	-	142,143
General government	135,092	-	135,092
Debt service	124,496	-	124,496
Capital projects	379,731	-	379,731
Business type activities	1,155,003	-	1,155,003
Non-program	77,220	77,220	-
Total disbursements	<u>2,591,865</u>	<u>77,220</u>	<u>2,514,645</u>
Excess (deficiency) of receipts over (under) disbursements	(54,655)	3,027	(57,682)
Other financing sources, net	<u>380,012</u>	-	<u>380,012</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	325,357	3,027	322,330
Balance beginning of year	<u>905,888</u>	<u>7,118</u>	<u>898,770</u>
Balance end of year	<u>\$1,231,245</u>	<u>10,145</u>	<u>1,221,100</u>

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
312,622	2,390	101%
33,430	1,073	103%
10,847	5,423	150%
3,700	(24)	99%
8,500	13,209	255%
411,603	10,661	103%
1,284,307	121,613	109%
164,403	73,206	145%
<u>2,229,412</u>	<u>227,551</u>	<u>110%</u>
199,487	4,022	98%
237,269	(56,408)	124%
2,000	732	63%
95,973	8,203	91%
97,803	(44,340)	145%
150,696	15,604	90%
178,104	53,608	70%
610,314	230,583	62%
1,234,243	79,240	94%
-	-	
<u>2,805,889</u>	<u>291,244</u>	<u>90%</u>
(576,477)		
<u>279,911</u>		
(296,566)		
<u>606,154</u>		
<u><u>309,588</u></u>		

City of Bedford  
Statement of Indebtedness  
Year ended June 30, 2003

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>
General obligation notes:		
Places (TIF)	Feb 20, 1995	6.80 %
Industrial site	Oct 2, 1995	5.00
MG machining (TIF)	Mar 3, 1997	5.50
Street improvement	Apr 1, 1998	4.40-4.60
Street sweeper	Oct 1, 1999	5.50
Street improvement	Sep 1, 2000	5.10-5.65
Fire station/city hall/street	Jul 1, 2002	3.30-4.60
Total		
Revenue bonds:		
Gas	Jun 1, 1967	5.50%
Revenue notes:		
Sewer	Feb 1, 2001	4.70-5.65%
Promissory note:		
Southern Iowa Development Group, Inc. (GEAR)	Jun 15, 1998	4.25%
Loan:		
Southern Iowa Rural Water Association	May 1, 1992	5.75%

See notes to financial statements.

Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 95,000	56,903	-	7,972	48,931	3,736
119,395	94,825	-	4,841	89,984	4,741
90,000	54,000	-	9,000	45,000	2,947
175,000	40,000	-	40,000	-	1,840
43,000	31,000	-	31,000	-	1,292
215,000	200,000	-	20,000	180,000	10,915
285,000	-	285,000	-	285,000	10,587
	<u>\$ 476,728</u>	<u>285,000</u>	<u>112,813</u>	<u>648,915</u>	<u>36,058</u>
\$ 575,000	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>275</u>
\$ 775,000	<u>740,000</u>	<u>-</u>	<u>35,000</u>	<u>705,000</u>	<u>39,137</u>
\$ 250,000	<u>90,495</u>	<u>-</u>	<u>44,288</u>	<u>46,207</u>	<u>2,990</u>
\$ 225,112	<u>141,912</u>	<u>-</u>	<u>8,699</u>	<u>133,213</u>	<u>7,933</u>

**City of Bedford**



City of Bedford

Notes to Financial Statements

June 30, 2003

**(1) Summary of Significant Accounting Policies**

The City of Bedford is a political subdivision of the State of Iowa located in Taylor County. It was first incorporated in 1895 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Bedford has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Taylor County Assessor's Conference Board, Bedford Area Economic Development Corp. and the Adams/Taylor Regional Service Agency.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

#### Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

#### Fiduciary Funds

Trust Funds - The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include Expendable Trust Funds and Non-Expendable Trust Funds.

### C. Basis of Accounting

The City of Bedford maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

### D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service and Non-Expendable Trust Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Long-Term Debt**

Notes Payable

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30.	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 87,606	31,584	40,000	37,457	127,606	69,041
2005	88,449	27,701	40,000	35,498	128,449	63,199
2006	89,347	23,573	45,000	33,497	134,347	57,070
2007	95,300	19,245	45,000	31,225	140,300	50,470
2008	101,315	14,545	50,000	28,930	151,315	43,475
2009	81,487	9,595	50,000	26,355	131,487	35,950
2010	31,811	5,583	55,000	23,755	86,811	29,338
2011	32,152	3,842	55,000	20,868	87,152	24,710
2012	7,510	2,072	60,000	17,925	67,510	19,997
2013	7,885	1,697	60,000	14,685	67,885	16,382
2014	8,279	1,303	65,000	11,415	73,279	12,718
2015	8,693	889	70,000	7,840	78,693	8,729
2016	9,081	454	70,000	3,955	79,081	4,409
Total	\$ 648,915	142,083	705,000	293,405	1,353,915	435,488

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) Note proceeds totaling \$77,500 shall be deposited in a Sewer Reserve Fund which shall be pledged to pay principal and interest payments coming due when insufficient money is available in the Sewer Sinking Fund. The City purchased a certificate of deposit in this amount to reserve the funds.
- (b) The notes will only be redeemed from future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (c) Sufficient monthly transfers shall be made to a Sewer Sinking Fund for the purpose of making the note principal and interest payments when due.
- (d) Additional monthly transfers of \$1,000 shall be made to a Sewer Improvement Fund until deposits in the Improvement Fund equal \$60,000. This fund is restricted for the purpose of making the note principal and interest payments when the Sinking and Reserve Fund balances are insufficient and to pay the costs of extraordinary maintenance expenses or repairs, renewals and replacements, etc. The City has not established this fund or made any of the required transfers.

#### Promissory Note

On June 15, 1998, the City entered into a promissory note agreement with the Southern Iowa Development Group, Inc. (SIDG) for \$250,000. The note bears interest of 4.25% per year, with principal and interest payments of \$3,940 per month beginning July 15, 1998 and on or before the first day of each month thereafter until June 15, 2004. The note is secured by assignment of payments from the Promissory Note with Gear For Sports, Inc. (see Note 8). During the year ended June 30, 2003, the City paid \$44,288 of principal and \$2,990 in interest. The principal balance of the loan at June 30, 2003 is \$46,207, which is due on June 15, 2004.

#### Loan Payable

On May 1, 1992, the City entered into loan agreements with the Southern Iowa Rural Water Association (SIRWA) for \$186,322 and \$38,790, respectively. On December 31, 2001, the City combined the loans into one loan bearing interest of 5.75% per year, with principal and interest payments of \$1,386 per month beginning January 31, 2002 and each month thereafter until March 31, 2014. During the year ended June 30, 2003, the City paid \$8,699 of principal and \$7,933 in interest. Future annual maturities of the loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 9,212	7,420
2005	9,756	6,876
2006	10,332	6,300
2007	10,942	5,690
2008	11,589	5,044
2009	12,273	4,359
2010	12,997	3,635
2011	13,765	2,867
2012	14,577	2,055
2013	15,438	1,194
2014	12,332	367
Total	<u>\$ 133,213</u>	<u>45,807</u>

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2003 was \$20,546, equal to the required contribution for the year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 11,000
Compensatory time	<u>9,000</u>
Total	<u>\$ 20,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

**(6) Risk Management**

The City of Bedford is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City of Bedford's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contribution to the Pool for the year ended June 30, 2003 was \$44,593.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Bedford also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(7) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2003, disbursements in the public works and community and economic development functions exceeded the amounts budgeted.

**(8) Economic Development Note Receivable**

On June 1, 1998, the City received a signed promissory note from GEAR For Sports, Inc. (GEAR) for \$553,000. The note is interest free and payments of \$6,325 are due each month, starting July 1, 1998, until June 1, 2004, when the remaining principal balance of \$97,600 will become fully due and payable. Principal not paid when due will draw interest at 10% per annum. Upon default in payment of any installment, the whole amount becomes immediately due. In return for the \$553,000 note, the City gave GEAR a building valued at \$290,000, a lot valued at \$13,000 and a check for \$250,000.

The City received \$75,900 from GEAR during the year ended June 30, 2003.

In connection with GEAR, the City also received a Community Economic Betterment Account (CEBA) forgivable loan from the Iowa Department of Economic Development (IDED) of \$300,000. As of June 30, 2000, the \$300,000 had been received by the City and passed through to GEAR. The forgivable loan was made under a 5 year agreement and bears interest at a rate of 6%. If GEAR is still satisfying the terms of their agreement with the IDED after three years from the project completion date, the repayment of the forgivable loan will be permanently waived.

**(9) Commitment**

On April 2, 2003, the City approved a contract for city hall renovation of \$81,205. Payments totaling \$30,845 were made on this contract during the year ended June 30, 2003. The remaining \$50,360 will be paid as work on the contract progresses.

**City of Bedford**



## **Supplemental Information**

City of Bedford  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Library	Park
Receipts:			
Property tax	\$ 205,050	-	-
Other city tax:			
Utility tax replacement excise tax	6,663	-	-
Cable franchise fee	6,155	-	-
	<u>12,818</u>	-	-
Licenses and permits:			
Beer and liquor	2,082	-	-
Cigarette	525	-	-
Building	775	-	-
Pet	273	-	-
Miscellaneous	21	-	-
	<u>3,676</u>	-	-
Use of money and property:			
Interest on investments	11,913	1	-
Rent	-	1,105	-
	<u>11,913</u>	<u>1,106</u>	-
Intergovernmental:			
State allocation	23,479	-	-
Library open-access program	-	285	-
County contribution	-	2,328	-
Bank franchise tax	4,015	-	-
	<u>27,494</u>	<u>2,613</u>	-
Charges for service:			
Ambulance charges	-	-	-
Garbage and refuse fees and tags	76,941	-	-
Penalties	3,004	-	-
Swimming pool admissions/concessions	13,983	-	-
Library charges	-	58	-
	<u>93,928</u>	<u>58</u>	-
Miscellaneous:			
Court fines	55	-	-
Accrued interest on sale of notes	898	-	-
Sale of cemetery lots	260	-	-
Insurance settlements	11,743	-	-
Sale of salvage	3,581	77	-
Donations and contributions	-	578	6,727
Refunds	3,357	-	-
Reimbursements	770	239	-
Miscellaneous	16,151	67	-
	<u>36,815</u>	<u>961</u>	<u>6,727</u>
Total receipts	<u>391,694</u>	<u>4,738</u>	<u>6,727</u>

Airport	Ambulance	Cemetery	Fire Department	Total
-	-	-	-	205,050
-	-	-	-	6,663
-	-	-	-	6,155
-	-	-	-	12,818
-	-	-	-	2,082
-	-	-	-	525
-	-	-	-	775
-	-	-	-	273
-	-	-	-	21
-	-	-	-	3,676
-	1,383	335	99	13,731
-	-	-	-	1,105
-	1,383	335	99	14,836
-	-	-	-	23,479
-	-	-	-	285
-	-	-	-	2,328
-	-	-	-	4,015
-	-	-	-	30,107
-	73,916	-	-	73,916
-	-	-	-	76,941
-	-	-	-	3,004
-	-	-	-	13,983
-	-	-	-	58
-	73,916	-	-	167,902
-	-	-	-	55
-	-	-	-	898
-	-	-	-	260
-	-	-	-	11,743
-	-	-	-	3,658
600	29,551	-	22,503	59,959
-	-	-	-	3,357
-	-	-	-	1,009
-	1,227	-	-	17,445
600	30,778	-	22,503	98,384
600	106,077	335	22,602	532,773

City of Bedford  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Library	Park
Disbursements:			
Public safety:			
Police:			
Personal services	70,606	-	-
Services and commodities	16,936	-	-
Capital outlay	270	-	-
	<u>87,812</u>	-	-
Fire:			
Personal services	-	-	-
Services and commodities	5,095	-	-
Capital outlay	-	-	-
	<u>5,095</u>	-	-
Ambulance:			
Personal services	-	-	-
Services and commodities	-	-	-
	<u>-</u>	-	-
Animal control:			
Services and commodities	449	-	-
	<u>93,356</u>	-	-
Public works:			
Roads, bridges and sidewalks:			
Services and commodities	8,383	-	-
Capital outlay	73,082	-	-
	<u>81,465</u>	-	-
Traffic control and safety:			
Services and commodities	12,006	-	-
Airport:			
Services and commodities	-	-	-
Garbage:			
Services and commodities	76,405	-	-
	<u>169,876</u>	-	-
Health and social services:			
Mosquito control:			
Services and commodities	1,268	-	-
Culture and recreation:			
Library:			
Personal services	-	22,345	-
Services and commodities	-	10,831	-
	<u>-</u>	<u>33,176</u>	<u>-</u>

Airport	Ambulance	Cemetery	Fire Department	Total
-	-	-	-	70,606
-	-	-	-	16,936
-	-	-	-	270
-	-	-	-	87,812
-	-	-	2,450	2,450
-	-	-	1,272	6,367
-	-	-	14,010	14,010
-	-	-	17,732	22,827
-	55,044	-	-	55,044
-	29,333	-	-	29,333
-	84,377	-	-	84,377
-	-	-	-	449
-	84,377	-	17,732	195,465
-	-	-	-	8,383
-	-	-	-	73,082
-	-	-	-	81,465
-	-	-	-	12,006
6,632	-	-	-	6,632
-	-	-	-	76,405
6,632	-	-	-	176,508
-	-	-	-	1,268
-	-	-	-	22,345
-	-	-	-	10,831
-	-	-	-	33,176

City of Bedford  
Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Library	Park
Disbursements (continued):			
Culture and recreation:			
Parks and recreation:			
Personal services	-	-	5,103
Services and commodities	-	-	3,015
	<u>-</u>	<u>-</u>	<u>8,118</u>
Cemetery:			
Services and commodities	60	-	-
Swimming pool:			
Personal services	15,804	-	-
Services and commodities	11,616	-	-
	<u>27,420</u>	<u>-</u>	<u>-</u>
	<u>27,480</u>	<u>33,176</u>	<u>8,118</u>
General government:			
Personal services	23,446	-	-
Services and commodities	74,938	-	-
Capital outlay	36,708	-	-
	<u>135,092</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>427,072</u>	<u>33,176</u>	<u>8,118</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(35,378)</u>	<u>(28,438)</u>	<u>(1,391)</u>
Other financing sources (uses):			
General obligation note proceeds	163,198	-	-
Operating transfers in (out):			
General:			
General	-	30,471	11,875
Library	(30,471)	-	-
Park	(11,875)	-	-
Airport	(5,400)	-	-
Cemetery	(10,000)	-	-
Special Revenue:			
Emergency	5,829	-	-
Employee Benefits	28,536	-	-
CDBG Housing Rehabilitation	(300)	-	-
Debt Service	(10,947)	-	-
Enterprise:			
Gas Reserve	40,000	-	20,000
Water	(299)	-	-
Total other financing sources (uses)	<u>168,271</u>	<u>30,471</u>	<u>31,875</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>132,893</u>	<u>2,033</u>	<u>30,484</u>
Balance beginning of year	<u>41,104</u>	<u>881</u>	<u>4,145</u>
Balance end of year	<u>\$ 173,997</u>	<u>2,914</u>	<u>34,629</u>

See accompanying independent auditor's report.

Airport	Ambulance	Cemetery	Fire Department	Total
-	-	-	-	5,103
-	-	-	-	3,015
-	-	-	-	8,118
-	-	8,195	-	8,255
-	-	-	-	15,804
-	-	-	-	11,616
-	-	-	-	27,420
-	-	8,195	-	76,969
-	-	-	-	23,446
-	-	-	-	74,938
-	-	-	-	36,708
-	-	-	-	135,092
6,632	84,377	8,195	17,732	585,302
(6,032)	21,700	(7,860)	4,870	(52,529)
-	-	-	-	163,198
5,400	-	10,000	-	57,746
-	-	-	-	(30,471)
-	-	-	-	(11,875)
-	-	-	-	(5,400)
-	-	-	-	(10,000)
-	-	-	-	5,829
-	-	-	-	28,536
-	-	-	-	(300)
-	-	-	-	(10,947)
-	-	-	-	60,000
-	-	-	-	(299)
5,400	-	10,000	-	246,017
(632)	21,700	2,140	4,870	193,488
3,014	84,396	9,602	15,662	158,804
2,382	106,096	11,742	20,532	352,292

City of Bedford  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2003

	Economic Development	Road Use Tax	Tax Increment Financing	Emergency
<b>Receipts:</b>				
Property tax	\$ -	-	-	5,658
Tax increment financing collections	-	-	34,503	-
<b>Other city tax:</b>				
Utility tax replacement excise tax	-	-	-	171
<b>Use of money and property:</b>				
Rent	3,100	-	-	-
<b>Intergovernmental:</b>				
Road use tax allocation	-	131,889	-	-
Highway planning and construction	3,186	-	-	-
Community development block grant	-	-	-	-
	3,186	131,889	-	-
<b>Miscellaneous:</b>				
Donations	7,610	-	-	-
Reimbursements	21,274	-	-	-
Other	75	-	-	-
	28,959	-	-	-
Total receipts	35,245	131,889	34,503	5,829
<b>Disbursements:</b>				
<b>Public works:</b>				
<b>Roads, bridges and sidewalks:</b>				
Personal services	-	22,402	-	-
Services and commodities	-	65,461	-	-
Capital outlay	-	7,728	-	-
	-	95,591	-	-
<b>Street lighting:</b>				
Services and commodities	-	21,578	-	-
	-	117,169	-	-



Employee Benefits	Boyt Building	GEAR	Ahrens Building	CDBG Housing Rehabilitation	Total
27,616	-	-	-	-	33,274
-	-	-	-	-	34,503
920	-	-	-	-	1,091
-	-	-	-	-	3,100
-	-	-	-	-	131,889
-	-	-	-	-	3,186
-	-	-	-	45,382	45,382
-	-	-	-	45,382	180,457
-	-	-	-	-	7,610
-	1,196	75,900	-	3,923	102,293
-	-	-	-	-	75
-	1,196	75,900	-	3,923	109,978
28,536	1,196	75,900	-	49,305	362,403
-	-	-	-	-	22,402
-	-	-	-	-	65,461
-	-	-	-	-	7,728
-	-	-	-	-	95,591
-	-	-	-	-	21,578
-	-	-	-	-	117,169

City of Bedford  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2003

	Economic Development	Road Use Tax	Tax Increment Financing	Emergency
Disbursements (continued):				
Community and economic development:				
Personal services	21,274	-	-	-
Services and commodities	20,516	-	-	-
Debt service:				
Principal redeemed	-	-	-	-
Interest paid	-	-	-	-
	<u>41,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>41,790</u>	<u>117,169</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(6,545)</u>	<u>14,720</u>	<u>34,503</u>	<u>5,829</u>
Other financing sources (uses):				
Sale of property	-	-	-	-
Operating transfers in (out):				
General:				
General	-	-	-	(5,829)
Debt Service	-	(6,165)	(17,932)	-
Enterprise:				
Gas Revenue	11,000	-	(16,534)	-
Gas Reserve	-	-	-	-
Total other financing sources (uses)	<u>11,000</u>	<u>(6,165)</u>	<u>(34,466)</u>	<u>(5,829)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,455	8,555	37	-
Balance beginning of year	<u>15</u>	<u>41,485</u>	<u>2,623</u>	<u>-</u>
Balance end of year	<u>\$ 4,470</u>	<u>50,040</u>	<u>2,660</u>	<u>-</u>

See accompanying independent auditor's report.

Employee Benefits	Boyt Building	GEAR	Ahrens Building	CDBG Housing Rehabilitation	Total
-	-	-	-	-	21,274
-	3,422	-	-	49,605	73,543
-	-	44,288	-	-	44,288
-	-	2,990	-	-	2,990
-	3,422	47,278	-	49,605	142,095
-	3,422	47,278	-	49,605	259,264
28,536	(2,226)	28,622	-	(300)	103,139
-	100,000	-	-	-	100,000
(28,536)	-	-	-	300	(34,065)
-	-	-	-	-	(24,097)
-	-	(28,622)	-	-	(34,156)
-	(97,994)	-	-	-	(97,994)
(28,536)	2,006	(28,622)	-	300	(90,312)
-	(220)	-	-	-	12,827
-	220	2,385	5,047	-	51,775
-	-	2,385	5,047	-	64,602

**Schedule 3**

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City of Bedford  
Schedule of Cash Transactions  
Debt Service Fund  
Year ended June 30, 2003

Receipts:	
Property tax	\$ 76,688
Other city tax:	
Utility tax replacement excise tax	<u>2,361</u>
Total receipts	<u>79,049</u>
Disbursements:	
Debt service:	
Principal redeemed	87,813
Interest paid	35,783
Registrar fees	<u>900</u>
Total disbursements	<u>124,496</u>
Deficiency of receipts under disbursements	<u>(45,447)</u>
Other financing sources:	
Operating transfers in:	
General:	
General	10,947
Special Revenue:	
Road Use Tax	6,165
Tax Increment Financing	17,932
Enterprise:	
Gas Revenue	<u>9,582</u>
Total other financing sources	<u>44,626</u>
Deficiency of receipts and other financing sources under disbursements	(821)
Balance beginning of year	<u>2,057</u>
Balance end of year	<u>\$ 1,236</u>

See accompanying independent auditor's report.

City of Bedford  
 Schedule of Cash Transactions  
 Capital Projects Fund  
 Year ended June 30, 2003

	Fire Station Project
Receipts:	
Use of money and property:	
Interest on investments	\$ 45
Intergovernmental:	
Rural Development Community Facility Disaster grant	211,700
Miscellaneous:	
Donations	820
Sales tax refund	4,368
	5,188
Total receipts	216,933
Disbursements:	
Capital projects:	
Services and commodities	500
Capital outlay	379,231
Total disbursements	379,731
Deficiency of receipts under disbursements	(162,798)
Other financing sources:	
General obligation capital loan note proceeds	116,814
Deficiency of receipts and other financing sources under disbursements	(45,984)
Balance beginning of year	46,549
Balance end of year	\$ 565

See accompanying independent auditor's report.

City of Bedford  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	Gas Revenue	Gas Reserve	Gas Bond Sinking	Gas Deposit
<b>Receipts:</b>				
Use of money and property:				
Interest on investments	\$ 352	-	-	-
<b>Charges for service:</b>				
Sale of gas	721,023	-	-	-
Sale of water	-	-	-	-
Internet fees	-	-	-	-
Sewer rental fees	-	-	-	-
	<u>721,023</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Miscellaneous:</b>				
Customer deposits	-	-	-	5,520
Miscellaneous	189	-	-	-
	<u>189</u>	<u>-</u>	<u>-</u>	<u>5,520</u>
Total receipts	<u>721,564</u>	<u>-</u>	<u>-</u>	<u>5,520</u>
<b>Disbursements:</b>				
Business type activities:				
Personal services	107,857	-	-	-
Services and commodities	519,729	-	-	5,026
Capital outlay	6,692	-	-	-
Debt service:				
Principal redeemed	8,810	-	17,748	-
Interest paid	275	-	275	-
Registration fee	-	-	-	-
Total disbursements	<u>643,363</u>	<u>-</u>	<u>18,023</u>	<u>5,026</u>
Excess (deficiency) of receipts over (under) disbursements	<u>78,201</u>	<u>-</u>	<u>(18,023)</u>	<u>494</u>
<b>Other financing sources (uses):</b>				
Operating transfers in (out):				
General:				
General	-	(40,000)	-	-
Park	-	(20,000)	-	-
Special Revenue:				
Economic Development	(11,000)	-	-	-
Tax Increment Financing	16,534	-	-	-
Boyt Building	-	97,994	-	-
GEAR	28,622	-	-	-
Debt Service	(9,582)	-	-	-
Enterprise:				
Gas Revenue	-	38,834	-	-
Gas Reserve	(38,834)	-	-	-
Total other financing sources (uses)	<u>(14,260)</u>	<u>76,828</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	63,941	76,828	(18,023)	494
Balance beginning of year	<u>179,156</u>	<u>177,254</u>	<u>18,023</u>	<u>13,476</u>
Balance end of year	<u>\$ 243,097</u>	<u>254,082</u>	<u>-</u>	<u>13,970</u>

See accompanying independent auditor's report.

Gas Depreciation, Extension and Improvement	Water	Water Deposit	Sewer Rental	Sewer Sinking	Total
-	1,081	-	-	1,602	3,035
-	-	-	-	-	721,023
-	297,057	-	-	-	297,057
-	160	-	-	-	160
-	-	-	156,580	63,198	219,778
-	297,217	-	156,580	63,198	1,238,018
-	-	3,833	-	-	9,353
-	2,092	-	404	-	2,685
-	2,092	3,833	404	-	12,038
-	300,390	3,833	156,984	64,800	1,253,091
-	75,493	-	99,586	-	282,936
-	170,732	3,511	39,758	-	738,756
-	-	-	-	-	6,692
8,442	8,699	-	-	35,000	78,699
-	7,933	-	-	39,137	47,620
-	-	-	-	300	300
8,442	262,857	3,511	139,344	74,437	1,155,003
(8,442)	37,533	322	17,640	(9,637)	98,088
-	299	-	-	-	(39,701)
-	-	-	-	-	(20,000)
-	-	-	-	-	(11,000)
-	-	-	-	-	16,534
-	-	-	-	-	97,994
-	-	-	-	-	28,622
-	-	-	-	-	(9,582)
-	-	-	-	-	38,834
-	-	-	-	-	(38,834)
-	299	-	-	-	62,867
(8,442)	37,832	322	17,640	(9,637)	160,955
8,442	57,247	7,786	38,011	108,076	607,471
-	95,079	8,108	55,651	98,439	768,426

**Schedule 6**

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City of Bedford  
Schedule of Cash Transactions  
Internal Service Fund  
Year ended June 30, 2003

	<u>Payroll Revolving</u>
Receipts:	
Miscellaneous:	
Personal service costs from operating funds	\$ 80,147
Disbursements:	
Non-program:	
Personal services	<u>77,220</u>
Excess of receipts over disbursements	2,927
Balance beginning of year	<u>19</u>
Balance end of year	<u>\$ 2,946</u>

See accompanying independent auditor's report.



**City of Bedford**

City of Bedford  
Combining Schedule of Cash Transactions  
Trust Funds  
Year ended June 30, 2003

	Non-Expendable Trust
	Cemetery Perpetual Care
Receipts:	
Use of money and property:	
Interest on investments	\$ -
Miscellaneous:	
Perpetual care payments	100
Memorial and gifts	-
Gates Foundation computer grant	-
	100
Total receipts	100
Disbursements:	
Culture and recreation:	
Services and commodities	-
Capital outlay	-
	-
Community and economic development:	
Services and commodities	-
Total disbursements	-
Excess of receipts over disbursements	100
Balance beginning of year	7,099
Balance end of year	\$ 7,199

See accompanying independent auditor's report.

<u>Expendable Trust</u>				
<u>Library</u>	<u>Gift and</u>	<u>Revolving</u>	<u>Performance</u>	<u>Total</u>
<u>Memorial</u>	<u>Loan</u>	<u>Bond</u>		
645	-	48		693
-	-	-		100
1,682	-	-		1,682
10,339	-	-		10,339
12,021	-	-		12,121
12,666	-	48		12,814
458	-	-		458
10,343	-	-		10,343
10,801	-	-		10,801
-	-	48		48
10,801	-	48		10,849
1,865	-	-		1,965
22,601	8,513	1,000		39,213
24,466	8,513	1,000		41,178

City of Bedford

Note Maturities

June 30, 2003

Year Ending June 30.	General Obligation					
	Issued Feb 20, 1995		Issued Oct 2, 1995		Issued Mar 3, 1997	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2004	6.80%	\$ 8,523	5.00%	\$ 5,083	5.50%	\$ 9,000
2005	6.80	9,112	5.00	5,337	5.50	9,000
2006	6.80	9,743	5.00	5,604	5.50	9,000
2007	6.80	10,416	5.00	5,884	5.50	9,000
2008	6.80	11,137	5.00	6,178	5.50	9,000
2009		-	5.00	6,487		-
2010		-	5.00	6,811		-
2011		-	5.00	7,152		-
2012		-	5.00	7,510		-
2013		-	5.00	7,885		-
2014		-	5.00	8,279		-
2015		-	5.00	8,693		-
2016		-	5.00	9,081		-
Total		<u>\$ 48,931</u>		<u>\$ 89,984</u>		<u>\$ 45,000</u>

Year Ending June 30.	Sewer Revenue Notes	
	Issued Feb 1, 2001	
	Interest Rates	Amount
2004	4.90%	\$ 40,000
2005	5.00	40,000
2006	5.05	45,000
2007	5.10	45,000
2008	5.15	50,000
2009	5.20	50,000
2010	5.25	55,000
2011	5.35	55,000
2012	5.40	60,000
2013	5.45	60,000
2014	5.50	65,000
2015	5.55	70,000
2016	5.65	<u>70,000</u>
Total		<u>\$705,000</u>

See accompanying independent auditor's report.

Notes					
Issued Sep 1, 2000			Issued Jul 1, 2002		
Interest Rates	Amount	Interest Rates	Amount	Total	
5.30%	\$ 20,000	3.30%	\$ 45,000	\$	87,606
5.35	20,000	3.70	45,000		88,449
5.40	20,000	4.00	45,000		89,347
5.45	20,000	4.20	50,000		95,300
5.50	25,000	4.40	50,000		101,315
5.55	25,000	4.60	50,000		81,487
5.60	25,000		-		31,811
5.65	25,000		-		32,152
	-		-		7,510
	-		-		7,885
	-		-		8,279
	-		-		8,693
	-		-		9,081
	<u>\$ 180,000</u>		<u>\$ 285,000</u>	<u>\$</u>	<u>648,915</u>

**City of Bedford**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Bedford, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 19, 2003. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2002.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Bedford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior audit statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bedford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Bedford's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (C) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A) and (C).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bedford and other parties to whom the City of Bedford may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bedford during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 19, 2003



City of Bedford  
Schedule of Findings  
Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – Separately Maintained Records – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over investments and all accounting functions for separately maintained records. In addition, prenumbered receipts were not issued for money collected, checks received by the library were not restrictively endorsed and library investment details were not readily available.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review the operating procedures over separately maintained records to obtain the maximum internal control possible under the circumstances.

Response – We plan to assume responsibility for all accounting functions for separately maintained records.

Conclusion – Response accepted.

- (B) Records of Accounts – The Fire Department maintains the accounting records pertaining to the operations of the fire funds. The transactions and the resulting balances are not recorded in the Clerk's accounting records. Chapter 384.20 of the Code of Iowa states in part that "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose."

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's accounting records.

Response – We will assume responsibility for Fire Department operating activity. The Fire Department plans to establish themselves as a non-profit corporation for the fund raising activity.

Conclusion – Response accepted.

- (C) Ambulance Delinquencies – A monthly reconciliation of ambulance billings, collections and delinquent accounts was prepared throughout the year. However, a detailed listing of delinquent accounts was not prepared and reconciled.

City of Bedford

Schedule of Findings

Year ended June 30, 2003

Recommendation - A detailed listing of delinquent accounts should be prepared and reconciled to the monthly reconciliation of ambulance billings, collections and delinquencies. The Council or an Ambulance Board-designated independent person should review the reconciliations and monitor delinquencies.

Response - We will prepare a complete record of unpaid accounts and document the reconciliation of billings to collections and unpaid accounts each month.

Conclusion - Response accepted.

- (D) Control of Trash Sticker Sales - The City sells trash stickers for one dollar each as a method of collecting money to pay for the collection of garbage. The stickers are not numbered, the collections are not controlled and the money collected is not receipted promptly.

Recommendation - The City should establish a method to account for trash stickers sold and the sales should be receipted and recorded timely.

Response - We will prepare cash proof sheets to document the proper accounting for trash stickers sold.

Conclusion - Response accepted.

- (E) Electronic Data Processing Systems - The City does not have written policies for internet usage. Also, access to programs is not restricted to those who have a legitimate need, backup tapes are not stored off-site and a written disaster recovery plan does not exist.

Recommendation - The City should develop written policies addressing the above items in order to improve their control over computer based systems. Also, a written disaster recovery plan should be developed and backup tapes should be stored off-site.

Response - We will establish policies to cover these areas and will store backup tapes off-site. A disaster recovery plan has been developed and will be approved at the November Council meeting.

Conclusion - Response accepted.

City of Bedford  
 Schedule of Findings  
 Year ended June 30, 2003

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories - A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget - Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the public works and community and economic development functions. In addition, disbursements exceeded the budget in the capital projects function before the budget was amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Garnita Ewart, Council Member, son owns Ewart Insurance Agency	Performance bond premiums	\$ 917

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transaction with the Council Member's son does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 during the fiscal year.

- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Bedford

Schedule of Findings

Year ended June 30, 2003

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) General Obligation and Sewer Revenue Notes - During the year ended June 30, 2003, the City received accrued interest of \$898 from the issuance of general obligation capital loan notes and recorded this interest in the General Fund. The note resolution required the accrued interest to be deposited in the Debt Service Fund.

During the year ended June 30, 2001, the City issued sewer revenue notes. The note resolution required the City to establish separate Sinking, Reserve and Improvement Funds. The City established the Sinking and Reserve Funds but did not establish the Improvement Fund.

In addition, the sewer note resolution requires "the books and accounts to be audited annually and reported upon not later than 180 days after the end of each fiscal year." The City has not obtained an annual audit since issuance of the notes.

Recommendation - The City should transfer the accrued interest received from the General Fund to the Debt Service Fund. In addition, the City should establish separate funds as required by the sewer note resolution and consult bond counsel regarding the requirement for an annual audit.

Response - Per phone conversation with Ruan Securities regarding the wire of \$279,910.83 received on July 29, 2002, I was informed to disburse the amount among the three projects involved as follows:

Fire station/City Hall remodel	\$196,381.56
Street improvement 2002	\$ 83,529.27

I then called USDA regarding requirements of the grant and was told that the City match to be placed in the "fire station project" account was \$116,314.00, thus leaving the amount of \$80,067.56 to be used on the City Hall remodel project.

The total amount included the \$898 in accrued interest. I was not aware that this amount needed to be separated out and placed into Debt Service. However, since the amount needed for the first payment (\$10,947) was transferred from General to Debt Service I felt this met the requirement. I apologize for any confusion and will be aware of this on future projects. I did feel that I had followed the advice of Ruan Securities and USDA on the disbursement of funds. I will transfer the \$898 to the Debt Service Fund accordingly.

Regarding the sewer revenue capital loan notes, I have separated the sinking and reserve accounts and established an improvement fund as required. I will transfer \$1,000 per month into the improvement fund until the \$60,000 requirement is met. I have visited with bond counsel regarding the annual audit and will advise the City Council of this recommendation.

Conclusion - Response accepted.

City of Bedford

Schedule of Findings

Year ended June 30, 2003

- (10) Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Enterprise Fund, Gas Revenue, Gas Bond Sinking and Gas Depreciation, Extension and Improvement accounts. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund."

Recommendation - The City should transfer from the Enterprise Fund, Gas Revenue, Gas Bond Sinking and Gas Depreciation, Extension and Improvement accounts to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

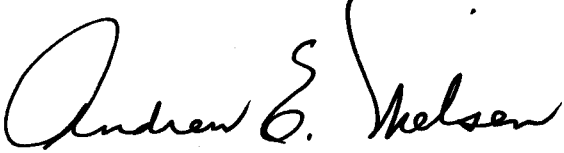
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City of Bedford

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager  
Paul F. Kearney, CGFM, Senior Auditor  
Timothy D. Houlette, CPA, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State