



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE February 17, 2010

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

The City's receipts totaled \$3,084,391 for the year ended June 30, 2009. The receipts included \$345,589 in property tax, \$18,824 from tax increment financing, \$1,616,354 from charges for service, \$422,681 from operating grants, contributions and restricted interest, \$74,302 from local option sales tax, \$8,696 from unrestricted interest on investments, \$590,000 from note proceeds and \$7,945 from other general receipts.

Disbursements for the year totaled \$3,110,021, and included \$536,365 for public safety, \$341,107 for public works and \$372,826 for capital projects. Also, disbursements for business type activities totaled \$1,218,181.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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CITY OF BEDFORD

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2009

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City of Bedford

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lary Wyckoff	Mayor	Jan 2010
Pam Browne	Mayor Pro tem	Jan 2010
Don Weed	Council Member	Jan 2010
Brent Grundstrom	Council Member	Jan 2010
Jane Savilee	Council Member	Jan 2010
Bob Dougherty	Council Member	Jan 2010
Tammy Thompson	City Clerk	Indefinite
Kay Dukes	Treasurer	Indefinite
Elizabeth Biwer	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 of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bedford, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bedford's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2008.

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, 2008, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bedford as of June 30, 2009, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2010 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bedford's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic 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, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bedford provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2009 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 3.0%, or approximately \$8,000, from fiscal year 2008 to fiscal year 2009. The decrease was due primarily to an increase in public safety disbursements for the purchase of a fire truck.
- The cash basis net assets of the City's business type activities decreased 2.0%, or approximately \$18,000, from fiscal year 2008 to fiscal year 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City 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. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and gas systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and CDBG Housing Rehabilitation, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Gas Funds, considered to be major funds of the City.

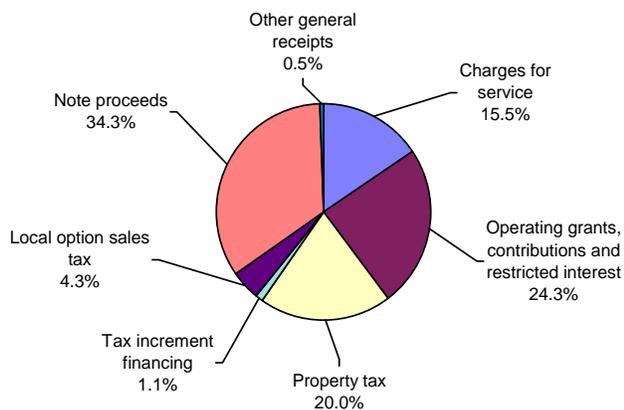
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

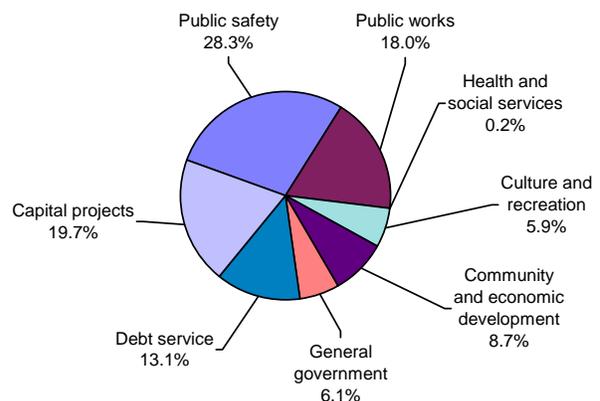
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$258,000 to approximately \$250,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service	\$ 267
Operating grants, contributions and restricted interest	418
General receipts:	
Property tax	345
Tax increment financing	19
Local option sales tax	74
Note proceeds	590
Other general receipts	8
Total receipts	<u>1,721</u>
Disbursements:	
Public safety	536
Public works	341
Health and social services	3
Culture and recreation	112
Community and economic development	164
General government	115
Debt service	247
Capital projects	373
Total disbursements	<u>1,891</u>
Change in cash basis net assets before transfers	(170)
Transfers, net	162
Change in cash basis net assets	<u>(8)</u>
Cash basis net assets beginning of year	258
Cash basis net assets end of year	<u>\$ 250</u>

Receipts by Source



Disbursements by Function



Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 409
Sewer	304
Gas	636
Operating grants, contributions and restricted interest	4
General receipts:	
Unrestricted interest on investments	9
Total receipts	<u>1,362</u>
Disbursements:	
Water	362
Sewer	277
Gas	579
Total disbursements	<u>1,218</u>
Change in cash basis net assets before transfers	144
Transfers, net	<u>(162)</u>
Change in cash basis net assets	(18)
Cash basis net assets beginning of year	<u>883</u>
Cash basis net assets end of year	<u>\$ 865</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bedford completed the year, its governmental funds reported a combined fund balance of \$250,005, a decrease of approximately \$7,800 from last year's total of \$257,802. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$12,852 to a year end balance of \$117,857. The decrease was due primarily to increased disbursements in public safety for the purchase of a fire truck.
- The Special Revenue, Road Use Tax Fund cash balance was \$45,993 at the end of the fiscal year, a decrease of \$4,726 from the previous year. The change was insignificant from the prior year to the current year.
- The Special Revenue, CDBG Housing Rehabilitation Fund cash balance was \$5,309 at the end of the fiscal year, an increase of \$18,992 over the previous year. The increase is due to increased CDBG funding received due to more housing projects completed.
- The Debt Service Fund cash balance was \$25,289 at the end of the fiscal year, an increase of \$2,450 over the previous year. The increase is due to increased transfers to the fund to retire old debt issuances.
- The Capital Projects Fund did not report a cash balance for the prior year or the end of the current year since all projects were started and completed during fiscal year 2009.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$51,322 to a year end balance of \$197,127. This increase was due primarily to an increase in water rates.
- The Sewer Fund cash balance increased \$31,618 to a year end balance of \$222,950. The increase was due to an increase in sewer rental rates.
- The Gas Fund cash balance decreased \$100,773 to a year end balance of \$444,985. The decrease was due to the purchase of equipment and transfers to the Debt Service Fund for the retirement of debt.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 12, 2009 and resulted in an increase in disbursements, primarily relating to the purchase of the fire truck, payments to retire old debt and debt for the fire truck and street improvements and capital projects.

The City's receipts were \$420,624 less than budgeted. This was primarily due to note proceeds budgeted under the miscellaneous function but reported as other financing sources.

Total disbursements were \$693,328 less than budgeted, due primarily to the City's budget for the business type activities function. This was primarily due to gas purchases, equipment and projects being less than anticipated.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$1,054,108 in notes and other long-term debt outstanding compared to \$753,281 last year, as follows:

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation notes	\$ 550,000	186,899
Revenue notes	435,000	485,000
Loan	69,108	81,382
Total	\$ 1,054,108	753,281

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$619,108, is below its constitutional debt limit of \$1,078,500.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Bedford's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$2,682,700, a decrease of 29% from the final 2009 budget. The City has added no major new programs or initiatives to the 2010 budget. The significant decrease is primarily due to the fact there was a new fire truck, a new street sweeper and extra asphalt purchased in fiscal year 2009. Also, long-term debt was paid off, a street project was completed and a housing rehab project was completed in fiscal year 2009.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$312,093 by the close of 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammy Thompson, City Clerk, 625 Court Avenue, Bedford, IA 50833.

Basic Financial Statements

City of Bedford

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:	Disbursements		
Governmental activities:			
Public safety	\$ 536,365	124,785	26,348
Public works	341,107	105,809	134,411
Health and social services	2,918	-	-
Culture and recreation	111,817	21,823	104,612
Community and economic development	164,395	770	148,977
General government	114,954	14,086	3,990
Debt service	247,458	-	-
Capital projects	372,826	-	-
Total governmental activities	1,891,840	267,273	418,338
Business type activities:			
Water	362,151	409,205	-
Sewer	276,869	304,407	-
Gas	579,161	635,469	4,343
Total business type activities	1,218,181	1,349,081	4,343
Total	\$ 3,110,021	1,616,354	422,681
General Receipts:			
Property and other city tax levied for			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Note proceeds			
Sale of capital assets			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Nonexpendable:			
Permanent fund			
Expendable:			
Streets			
Urban renewal purposes			
CDBG housing			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(385,232)	-	(385,232)
(100,887)	-	(100,887)
(2,918)	-	(2,918)
14,618	-	14,618
(14,648)	-	(14,648)
(96,878)	-	(96,878)
(247,458)	-	(247,458)
(372,826)	-	(372,826)
(1,206,229)	-	(1,206,229)
-	47,054	47,054
-	27,538	27,538
-	60,651	60,651
-	135,243	135,243
(1,206,229)	135,243	(1,070,986)
299,254	-	299,254
46,335	-	46,335
18,824	-	18,824
74,302	-	74,302
-	8,696	8,696
590,000	-	590,000
1,311	-	1,311
6,634	-	6,634
161,772	(161,772)	-
1,198,432	(153,076)	1,045,356
(7,797)	(17,833)	(25,630)
257,802	882,895	1,140,697
\$ 250,005	865,062	1,115,067
\$ 7,789	-	7,789
45,993	-	45,993
5,309	-	5,309
25,289	321,543	346,832
47,877	-	47,877
117,748	543,519	661,267
\$ 250,005	865,062	1,115,067

City of Bedford

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2009

	Special Revenue			
	General	Road Use Tax	CDBG Housing Rehabilitation	Debt Service
Receipts:				
Property tax	\$ 223,475	-	-	46,335
Tax increment financing	-	-	-	-
Other city tax	6,811	-	-	46,002
Licenses and permits	11,539	-	-	-
Use of money and property	17,053	-	-	-
Intergovernmental	9,334	134,411	143,647	-
Charges for service	249,689	-	-	-
Miscellaneous	30,431	-	-	-
Total receipts	548,332	134,411	143,647	92,337
Disbursements:				
Operating:				
Public safety	526,488	-	-	-
Public works	201,022	139,137	-	-
Health and social services	2,918	-	-	-
Culture and recreation	110,943	-	-	-
Community and economic development	-	-	131,215	-
General government	109,861	-	-	-
Debt service	-	-	-	247,458
Capital projects	-	-	-	-
Total disbursements	951,232	139,137	131,215	247,458
Excess (deficiency) of receipts over (under) disbursements	(402,900)	(4,726)	12,432	(155,121)
Other financing sources (uses):				
Operating transfers in	148,737	-	6,560	157,571
Operating transfers out	-	-	-	-
Note proceeds	240,000	-	-	-
Sale of capital assets	1,311	-	-	-
Total other financing sources (uses)	390,048	-	6,560	157,571
Net change in cash balances	(12,852)	(4,726)	18,992	2,450
Cash balances beginning of year	130,709	50,719	(13,683)	22,839
Cash balances end of year	\$ 117,857	45,993	5,309	25,289
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	25,289
Unreserved:				
General fund	117,857	-	-	-
Special revenue funds	-	45,993	5,309	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 117,857	45,993	5,309	25,289

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	65,485	335,295
-	18,824	18,824
-	31,783	84,596
-	-	11,539
-	11,131	28,184
-	-	287,392
-	200	249,889
75,832	8,978	115,241
75,832	136,401	1,130,960
-	9,877	536,365
-	948	341,107
-	-	2,918
-	874	111,817
-	33,180	164,395
-	5,093	114,954
-	-	247,458
372,826	-	372,826
372,826	49,972	1,891,840
(296,994)	86,429	(760,880)
-	28,522	341,390
(53,006)	(126,612)	(179,618)
350,000	-	590,000
-	-	1,311
296,994	(98,090)	753,083
-	(11,661)	(7,797)
-	67,218	257,802
-	55,557	250,005
-	-	25,289
-	-	117,857
-	47,768	99,070
-	7,789	7,789
-	55,557	250,005

City of Bedford

City of Bedford

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 403,729	302,307	635,469	1,341,505
Miscellaneous	5,476	2,100	4,343	11,919
Total operating receipts	409,205	304,407	639,812	1,353,424
Operating disbursements:				
Business type activities	345,519	200,114	579,161	1,124,794
Excess of operating receipts over operating disbursements	63,686	104,293	60,651	228,630
Non-operating receipts (disbursements):				
Interest on investments	4,268	4,080	348	8,696
Debt service	(16,632)	(76,755)	-	(93,387)
Net non-operating receipts (disbursements)	(12,364)	(72,675)	348	(84,691)
Excess of receipts over disbursements	51,322	31,618	60,999	143,939
Operating transfers out	-	-	(161,772)	(161,772)
Net change in cash balances	51,322	31,618	(100,773)	(17,833)
Cash balances beginning of year	145,805	191,332	545,758	882,895
Cash balances end of year	\$ 197,127	222,950	444,985	865,062
Cash Basis Fund Balances				
Reserved for debt service	\$ -	152,914	168,629	321,543
Unreserved	197,127	70,036	276,356	543,519
Total cash basis fund balances	\$ 197,127	222,950	444,985	865,062

See notes to financial statements.

City of Bedford

Notes to Financial Statements

June 30, 2009

(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 and general government services. The City also provides water, sewer and gas utilities for its citizens.

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.

These financial statements present the City of Bedford (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Bedford Fire Fighter's Association (Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, to operate to study and advance the science of fire prevention, protection and suppression. The Association is governed by an eight-member board elected each year. The candidates are selected by a nominating committee. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations

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 Corporation and the Adams/Taylor Regional Service Agency.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in three categories:

Restricted net assets:

Nonexpendable - Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable - Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The Special Revenue, CDBG Housing Rehabilitation Fund is used to account for CDBG housing projects.

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

The Capital Projects Fund is used to account for capital projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services, general government, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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, as amended by Statement No. 40.

(3) Notes and Loans Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 93,000	24,925	55,000	23,755	148,000	48,680
2011	100,000	20,615	55,000	20,868	155,000	41,483
2012	77,000	16,185	60,000	17,925	137,000	34,110
2013	79,000	12,865	60,000	14,685	139,000	27,550
2014	85,000	9,464	65,000	11,415	150,000	20,879
2015 - 2018	116,000	14,550	140,000	11,795	256,000	26,345
Total	\$ 550,000	98,604	435,000	100,443	985,000	199,047

During the year ended June 30, 2009, \$590,000 of general obligation notes were issued and \$226,899 of general obligation notes were retired.

Sewer Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$775,000 of sewer revenue notes issued in February 2001. Proceeds from the notes provided financing for the costs of replacing project notes previously issued for costs of constructing improvements and extensions to the municipal sewer utility. The notes are payable solely from sewer customer net receipts and are payable through 2016. Annual principal and interest payments on the notes are expected to require less than 73 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$535,443. For the current year, principal and interest paid and total customer net receipts were \$76,355 and \$104,293, respectively.

The resolution providing for the issuance of the revenue notes includes the following provisions.

- (a) Sufficient monthly transfers shall be made to a Sewer Sinking Fund for the purpose of making the note principal and interest payments when due.
- (b) Note proceeds of \$77,500 shall be deposited to 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.
- (c) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (d) Additional monthly transfers of \$1,000 shall be made to a Sewer Improvement Fund until deposits to the Sewer Improvement Fund equal \$60,000. This fund is restricted for the purpose of making the note principal and interest payments when the Sewer Sinking Fund and the Sewer Reserve Fund balances are insufficient and to pay the costs of extraordinary maintenance expenses or repairs, renewals and replacements, etc.

The City has established these funds and is making the required transfers.

Loan Payable

On May 1, 1992, the City entered into two loan agreements with the Southern Iowa Rural Water Association (SIRWA) for \$186,322 and \$38,790. On December 31, 2001, the City combined the loans into one loan bearing interest at 5.75% per year, with principal and interest payments of \$1,386 per month from January 31, 2002 through March 31, 2014. During the year ended June 30, 2009, the City paid \$12,273 of principal and \$4,359 of interest. Future annual maturities of the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 12,997	3,635	16,632
2011	13,765	2,867	16,632
2012	14,577	2,055	16,632
2013	15,438	1,194	16,632
2014	12,332	367	12,699
Total	\$ 69,109	10,118	79,227

(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.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$19,483, 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 vacation and compensatory time termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 16,000
Compensatory time	<u>13,000</u>
Total	<u>\$ 29,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 62,446
	Emergency	5,514
	Local Option Sales Tax	39,827
	Enterprise:	
	Gas	40,950
		<u>148,737</u>
Special Revenue:	Enterprise:	
CDBG Housing	Gas	6,560
Economic Development	Gas	28,522
Debt Service	Special Revenue:	
	TIF Bond	18,825
	Capital Projects	53,006
	Enterprise:	
	Gas	85,740
		<u>157,571</u>
Total		<u>\$ 306,308</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City 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 whose 577 members include 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, inland marine, and boiler/machinery. 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 200 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'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 contributions to the Pool for the year ended June 30, 2009 were \$58,593.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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 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, 2009, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City 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.

(8) Deficit Balance

The Special Revenue, Employee Benefits Fund had a deficit balance of \$109 at June 30, 2009. The deficit balance was a result of transfers out of this fund. The deficit will be eliminated upon receipt of property taxes.

(9) Litigation

The City of Bedford, members of its City Council and City Clerk are defendants in an action styled PeopleService, Inc. v. City of Bedford. The case arises from the City's termination of a contract with the operator of its wastewater collection and treatment system. PeopleService, Inc. is seeking damages of \$115,163 plus interest, costs and attorneys fees. The case was filed in June 2009. The City denies any obligation to PeopleService, Inc. The case is in the early stages of discovery and has not yet been set for trial. The probability of loss, if any, is undeterminable.

Required Supplementary Information

City of Bedford
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less: Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 335,295	-	-	335,295
Tax increment financing	18,824	-	-	18,824
Other city taxes	84,596	-	-	84,596
Licenses and permits	11,539	-	-	11,539
Use of money and property	28,184	8,696	40	36,840
Intergovernmental	287,392	-	-	287,392
Charges for service	249,889	1,343,605	-	1,593,494
Miscellaneous	115,241	9,819	8,093	116,967
Total receipts	<u>1,130,960</u>	<u>1,362,120</u>	<u>8,133</u>	<u>2,484,947</u>
Disbursements:				
Public safety	536,365	-	9,877	526,488
Public works	341,107	-	-	341,107
Health and social services	2,918	-	-	2,918
Culture and recreation	111,817	-	-	111,817
Community and economic development	164,395	-	-	164,395
General government	114,954	-	-	114,954
Debt service	247,458	93,387	-	340,845
Capital projects	372,826	-	-	372,826
Business type activities	-	1,124,794	-	1,124,794
Total disbursements	<u>1,891,840</u>	<u>1,218,181</u>	<u>9,877</u>	<u>3,100,144</u>
Excess (deficiency) of receipts over (under) disbursements	(760,880)	143,939	(1,744)	(615,197)
Other financing sources (uses), net	<u>753,083</u>	<u>(161,772)</u>	<u>-</u>	<u>591,311</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(7,797)	(17,833)	(1,744)	(23,886)
Balances beginning of year	<u>257,802</u>	<u>882,895</u>	<u>6,815</u>	<u>1,133,882</u>
Balances end of year	<u>\$ 250,005</u>	<u>865,062</u>	<u>5,071</u>	<u>1,109,996</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
335,770	335,770	(475)
20,350	20,350	(1,526)
67,709	67,709	16,887
4,480	4,480	7,059
43,765	43,765	(6,925)
328,375	412,375	(124,983)
1,370,860	1,370,860	222,634
55,262	650,262	(533,295)
<u>2,226,571</u>	<u>2,905,571</u>	<u>(420,624)</u>
301,180	546,980	20,492
376,356	453,356	112,249
2,500	2,909	(9)
110,408	135,183	23,366
246,202	246,202	81,807
100,300	112,800	(2,154)
146,500	336,409	(4,436)
	296,994	(75,832)
1,662,639	1,662,639	537,845
<u>2,946,085</u>	<u>3,793,472</u>	<u>693,328</u>
(719,514)	(887,901)	272,704
-	-	591,311
(719,514)	(887,901)	864,015
1,042,048	1,042,048	91,834
<u>322,534</u>	<u>154,147</u>	<u>955,849</u>

City of Bedford

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 the blended component unit. 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 nine 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. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$847,387. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services, general government, debt service and capital projects functions.

Other Supplementary Information

City of Bedford

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Local			Special
	Employee Benefits	Emergency	Option Sales Tax	TIF Bond
Receipts:				
Property tax	\$ 60,143	5,342	-	-
Tax increment financing	-	-	-	18,824
Other city tax	1,895	167	29,721	-
Use of money and property	-	-	-	-
Charges for service	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	62,038	5,509	29,721	18,824
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	948	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total disbursements	-	-	948	-
Excess (deficiency) of receipts over (under) disbursements	62,038	5,509	28,773	18,824
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(62,446)	(5,514)	(39,827)	(18,825)
Total other financing sources (uses)	(62,446)	(5,514)	(39,827)	(18,825)
Net change in cash balances	(408)	(5)	(11,054)	(1)
Cash balances beginning of year	299	345	30,675	1
Cash balances end of year	\$ (109)	340	19,621	-
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ (109)	340	19,621	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ (109)	340	19,621	-

See accompanying independent auditor's report.

Revenue					Permanent Cemetery	Total
Economic Development	Performance Bond	Bedford Firefighters Association	Library Memorial	Perpetual Care		
-	-	-	-	-	65,485	
-	-	-	-	-	18,824	
-	-	-	-	-	31,783	
5,330	5,179	40	582	-	11,131	
-	-	-	-	200	200	
-	-	8,093	885	-	8,978	
5,330	5,179	8,133	1,467	200	136,401	
-	-	9,877	-	-	9,877	
-	-	-	-	-	948	
-	-	-	874	-	874	
33,180	-	-	-	-	33,180	
-	5,093	-	-	-	5,093	
33,180	5,093	9,877	874	-	49,972	
(27,850)	86	(1,744)	593	200	86,429	
28,522	-	-	-	-	28,522	
-	-	-	-	-	(126,612)	
28,522	-	-	-	-	(98,090)	
672	86	(1,744)	593	200	(11,661)	
513	5,019	6,815	15,962	7,589	67,218	
1,185	5,105	5,071	16,555	7,789	55,557	
1,185	5,105	5,071	16,555	-	47,768	
-	-	-	-	7,789	7,789	
1,185	5,105	5,071	16,555	7,789	55,557	

City of Bedford
 Schedule of Indebtedness
 Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Industrial site	Oct 2, 1995	5.00%	\$ 119,395
Street improvement	Sep 1, 2000	5.10-5.65	215,000
Fire station/City Hall/street	Jul 1, 2002	3.30-4.60	285,000
Street improvements	Aug 11, 2008	4.375-5.00	350,000
Fire truck	Oct 27, 2008	4.15-4.85	240,000
Total			
Revenue notes:			
Sewer	Feb 1, 2001	4.70-5.65%	\$ 775,000
Loan:			
Southern Iowa Rural Water Association	May 1, 1992	5.75%	\$ 225,112

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
61,899	-	61,899	-	2,287
75,000	-	75,000	-	848
50,000	-	50,000	-	2,300
-	350,000	25,000	325,000	12,768
-	240,000	15,000	225,000	6,599
<u>\$ 186,899</u>	<u>590,000</u>	<u>226,899</u>	<u>550,000</u>	<u>24,802</u>
<u>485,000</u>	<u>-</u>	<u>50,000</u>	<u>435,000</u>	<u>26,355</u>
<u>81,382</u>	<u>-</u>	<u>12,273</u>	<u>69,109</u>	<u>4,359</u>

City of Bedford

Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Notes				
	Street Improvement		Fire Truck		Total
	Issued Aug 11, 2008		Issued Oct 27, 2008		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2010	4.750%	\$ 75,000	4.15%	\$ 18,000	93,000
2011	4.500	80,000	4.15	20,000	100,000
2012	4.375	55,000	4.15	22,000	77,000
2013	4.375	55,000	4.15	24,000	79,000
2014	4.375	60,000	4.85	25,000	85,000
2015		-	4.85	26,000	26,000
2016		-	4.85	28,000	28,000
2017		-	4.85	30,000	30,000
2018		-	4.85	32,000	32,000
Total		<u>\$ 325,000</u>		<u>\$ 225,000</u>	<u>550,000</u>

See accompanying independent auditor's report.

Revenue Notes	
Sewer	
Issued Feb 1, 2001	
Interest Rates	Amount
5.25%	\$ 55,000
5.35	55,000
5.40	60,000
5.45	60,000
5.50	65,000
5.55	70,000
5.65	70,000
	-
	-
	<u>\$ 435,000</u>

City of Bedford



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

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bedford, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2010. Our report expressed qualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bedford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Bedford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bedford's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting we consider to be a significant deficiency, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bedford's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Bedford's financial statements that is more than inconsequential will not be prevented or detected by the City of Bedford's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Bedford's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above and reported as item (A) is a material weakness.

Compliance and Other Matters

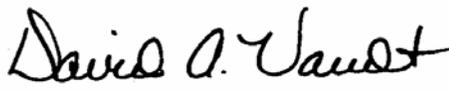
As part of obtaining reasonable assurance about whether the City of Bedford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2009 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.

The City of Bedford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Bedford's responses and, accordingly, we express no opinion on them.

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

January 15, 2010

City of Bedford

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

- (A) Segregation of Duties – 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 receipt and deposit records for the ambulance account within the General Fund. In addition, prenumbered receipts were not issued for all collections.

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

Response – We will contact the Ambulance Board and review operating procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Bedford

Schedule of Findings

Year ended June 30, 2009

Part III: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the health and social services, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future, we will try to amend the budget as needed before making disbursements that will exceed the budget.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Josh Weed, Police Officer, owner of Hawn Sanitation	Garbage removal-per bid	\$ 105,754
David Spencer, brother of Maintenance Coordinator Kenny Spencer, Independent contractor	Alley Repair-Curb/Gutter	975

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Hawn Sanitation does not represent a conflict of interest since it was competitively bid.

In accordance with Chapter 362.5(10) of the Code, of Iowa, the transaction with David Spencer does not represent a conflict of interest since the total during the year was less than \$1,500.

- (5) 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 the coverage is adequate for current operations.
- (6) 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, 2009

(7) 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.

(8) Sewer Revenue Notes – During the year ended June 30, 2001, the City issued sewer revenue notes. The sewer revenue 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 June 30, 2006.

Recommendation – The City should comply with the annual audit requirement of the sewer revenue note resolution.

Response – After addressing this recommendation with the Council (after the 2006 audit) it was decided that the audit would be completed every three years due to the costs associated with the audit.

Conclusion – Response acknowledged. Since the annual audit requirement was not waived, the City should comply with this requirement.

(9) Payment of General Obligation Debt – Certain general obligation note interest was paid from the Capital Projects Fund. 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 taxes, must be deposited in the debt service fund." Also the resolution providing for the capital loan notes requires principal and interest be paid from the Debt Service Fund.

Recommendation – The City should transfer from the Capital Projects Fund to the Debt Service Fund for future funding contributions. Payments of the notes and interest should then be disbursed from the Debt Service Fund.

Response – We will make sure all future payments for notes and interest are disbursed from the Debt Service Fund.

Conclusion – Response accepted.

(10) Financial Condition – The Special Revenue, Employee Benefits Fund had a deficit balance of \$109 at June 30, 2009.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The year end transfer from this account was made in the amount budgeted but revenues were under the budgeted amount thus causing a deficit of \$109. We will monitor the actual fund balance before doing any future year end transfers.

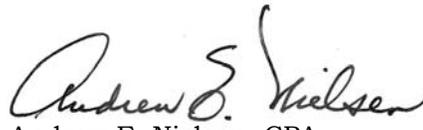
Conclusion – Response accepted.

City of Bedford

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Melissa M. Wellhausen, CPA, Senior Auditor
Daniel W. Henaman, Assistant 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