

B29547

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2005

CITY OF BEDFORD

LAWRENCE COUNTY, INDIANA



FILED

02/20/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna M. Brumbaugh	01-01-04 to 12-31-07
Mayor	Joe D. Klumpp	01-01-04 to 12-31-07
President of the Board of Public Works	Joe D. Klumpp	01-01-05 to 12-31-07
President of the Common Council	Mark Scherschel	01-01-05 to 12-31-07
Superintendent of Utilities	Michael A. Mitchell	01-01-05 to 12-31-07
Utility Office Manager	Carol Scherschel	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF BEDFORD, LAWRENCE COUNTY, INDIANA

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 (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 6, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and the Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 6, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF BEDFORD, LAWRENCE COUNTY, INDIANA

We have audited the financial statements of the City of Bedford (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated February 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 6, 2007

CITY OF BEDFORD
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,327,106	\$ 259,766	\$ 1,513,932	\$ -	\$ 446,592	\$ -	\$ 446,592
Public safety	5,188,678	132,800	42,018	-	(5,013,860)	-	(5,013,860)
Highways and streets	2,034,187	261,452	695,626	-	(1,077,109)	-	(1,077,109)
Sanitation	527,218	-	-	-	(527,218)	-	(527,218)
Culture and recreation	2,244,753	528,401	430,249	-	(1,286,103)	-	(1,286,103)
Urban redevelopment	1,858,176	-	298,600	-	(1,559,576)	-	(1,559,576)
Debt service	30,000	-	-	-	(30,000)	-	(30,000)
Capital outlay	52,903	-	-	19,627	(33,276)	-	(33,276)
Total governmental activities	13,263,021	1,182,419	2,980,425	19,627	(9,080,550)	-	(9,080,550)
Business-type activities:							
Water	2,464,314	2,677,782	-	-	-	213,468	213,468
Wastewater	2,047,798	1,784,975	-	-	-	(262,823)	(262,823)
Total business-type activities	4,512,112	4,462,757	-	-	-	(49,355)	(49,355)
Total primary government	\$ 17,775,133	\$ 5,645,176	\$ 2,980,425	\$ 19,627	(9,080,550)	(49,355)	(9,129,905)
General receipts:							
Property taxes					11,670,085	-	11,670,085
Other local sources					683,500	-	683,500
Bonds and loans					310,000	-	310,000
Riverboat revenue sharing					86,817	-	86,817
Unrestricted investment earnings					36,869	30,382	67,251
Insurance proceeds					1,783	-	1,783
Proceeds from sale of assets					-	6,500	6,500
Other operating receipts					585,365	118,230	703,595
Net short term financing activity					(4,200,000)	-	(4,200,000)
Net interfund transfers					(247,046)	(60,364)	(307,410)
Total general receipts					8,927,373	94,748	9,022,121
Change in net assets					(153,177)	45,393	(107,784)
Net assets - beginning					3,531,632	1,626,954	5,158,586
Net assets - ending					\$ 3,378,455	\$ 1,672,347	\$ 5,050,802
Assets							
Cash and investments					\$ 1,716,008	\$ 554,285	\$ 2,270,293
Restricted assets:							
Cash and investments					1,662,447	1,118,062	2,780,509
Total assets					\$ 3,378,455	\$ 1,672,347	\$ 5,050,802
Net Assets							
Restricted for:							
General government					\$ 14,216	\$ -	\$ 14,216
Public safety					25,107	-	25,107
Highways and streets					542,651	-	542,651
Culture and recreation					186,135	-	186,135
Urban redevelopment					21,498	-	21,498
Capital outlay					872,840	-	872,840
Debt service					-	966,029	966,029
Customer deposits					-	152,033	152,033
Unrestricted					1,716,008	554,285	2,270,293
Total net assets					\$ 3,378,455	\$ 1,672,347	\$ 5,050,802

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

CITY OF BEDFORD
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Motor Vehicle Highway	Park and Recreation	Cumulative Capital Development	CF 03-208 Lawrence County Museum	Other Governmental Funds	Totals
Receipts:							
Taxes	\$8,214,162	\$ 1,692,484	\$ 1,521,787	\$ 241,652	\$ -	\$ -	\$ 11,670,085
Intergovernmental	2,284,249	569,341	224,626	19,627	205,623	466,904	3,770,370
Charges for services	641,436	-	416,945	-	-	124,038	1,182,419
Other	107,463	42,431	21,835	-	148,121	304,167	624,017
Total receipts	11,247,310	2,304,256	2,185,193	261,279	353,744	895,109	17,246,891
Disbursements:							
General government	1,315,926	-	-	-	-	11,180	1,327,106
Public safety	5,107,859	-	-	-	-	80,819	5,188,678
Highways and streets	438,295	1,505,892	-	-	-	90,000	2,034,187
Sanitation	527,218	-	-	-	-	-	527,218
Culture and recreation	-	-	1,614,700	-	-	630,053	2,244,753
Urban redevelopment and housing	-	-	-	-	1,540,358	317,818	1,858,176
Debt service:							
Principal	-	-	-	-	-	28,429	28,429
Interest	-	-	-	-	-	1,571	1,571
Capital outlay:							
Highways and streets	-	-	-	6,336	-	46,567	52,903
Total disbursements	7,389,298	1,505,892	1,614,700	6,336	1,540,358	1,206,437	13,263,021
Excess (deficiency) of revenue over disbursements	3,858,012	798,364	570,493	254,943	(1,186,614)	(311,328)	3,983,870
Other financing sources (uses)							
Loan proceeds - long term	-	-	-	-	-	310,000	310,000
Interfund loans paid	(793,913)	(292,804)	(592,374)	(589,330)	-	(33,927)	(2,302,348)
Interfund loans received	1,283,037	-	149,388	589,330	-	33,546	2,055,301
Principal on short-term debt	(4,200,000)	-	-	-	-	-	(4,200,000)
Total other financing sources (uses)	(3,710,876)	(292,804)	(442,986)	-	-	309,619	(4,137,047)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	147,136	505,560	127,507	254,943	(1,186,614)	(1,709)	(153,177)
Cash and investment fund balance - beginning	1,568,872	45	598	375,113	1,186,614	400,390	3,531,632
Cash and investment fund balance - ending	\$ 1,716,008	\$ 505,605	\$ 128,105	\$ 630,056	\$ -	\$ 398,681	\$ 3,378,455
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 1,716,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,716,008
Restricted assets:							
Cash and investments	-	505,605	128,105	630,056	-	398,681	1,662,447
Total cash and investment assets - December 31	\$ 1,716,008	\$ 505,605	\$ 128,105	\$ 630,056	\$ -	\$ 398,681	\$ 3,378,455
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,216	\$ 14,216
Public safety	-	-	-	-	-	25,107	25,107
Highways and streets	-	505,605	-	-	-	37,046	542,651
Culture and recreation	-	-	128,105	-	-	58,030	186,135
Urban redevelopment	-	-	-	-	-	21,498	21,498
Capital outlay	-	-	-	630,056	-	242,784	872,840
Unrestricted	1,716,008	-	-	-	-	-	1,716,008
Total cash and investment fund balance - December 31	\$ 1,716,008	\$ 505,605	\$ 128,105	\$ 630,056	\$ -	\$ 398,681	\$ 3,378,455

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

CITY OF BEDFORD
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Unmetered water receipts	\$ 634	\$ -	\$ 634
Metered water receipts:			
Residential	1,029,301	-	1,029,301
Commercial	401,933	-	401,933
Industrial	112,447	-	112,447
Governmental units	93,830	-	93,830
Other utilities	633,465	-	633,465
Tap fees	19,253	-	19,253
Fire protection receipts	291,266	-	291,266
Penalties	13,344	24,485	37,829
Other water receipts	163,112	-	163,112
Measured revenue:			
Residential	-	1,082,948	1,082,948
Governmental units	-	113,340	113,340
Commercial sales	-	461,431	461,431
Industrial sales	-	91,771	91,771
Other	-	54,927	54,927
	<u>2,758,585</u>	<u>1,828,902</u>	<u>4,587,487</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	133,482	114,909	248,391
Source of supply and disbursements - operations and maintenance	693,041	-	693,041
Water treatment disbursements - operations and maintenance	82,687	-	82,687
Transmission and distribution	313,258	-	313,258
Collection system - operations and maintenance	-	46,914	46,914
Pumping - operations and maintenance	-	283,386	283,386
Treatment and disposal disbursements - operations and maintenance	-	666,851	666,851
Customer accounts	29,511	-	29,511
Administration and general	591,278	297,238	888,516
Insurance claims and premiums	95,156	254,624	349,780
Other	185,467	1,189	186,656
	<u>2,123,880</u>	<u>1,665,111</u>	<u>3,788,991</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>634,705</u>	<u>163,791</u>	<u>798,496</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	12,639	17,743	30,382
Loans between utilities	(39,200)	39,200	-
Debt service of principal	(255,000)	(250,000)	(505,000)
Interest and investment disbursement	(145,798)	(132,687)	(278,485)
	<u>(427,359)</u>	<u>(325,744)</u>	<u>(753,103)</u>
Total nonoperating disbursements			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	207,346	(161,953)	45,393
Cash and investment fund balance - beginning	<u>785,773</u>	<u>841,181</u>	<u>1,626,954</u>
Cash and investment fund balance - ending	<u>\$ 993,119</u>	<u>\$ 679,228</u>	<u>\$ 1,672,347</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 262,628	\$ 291,657	\$ 554,285
Restricted assets:			
Cash and investments	<u>730,491</u>	<u>387,571</u>	<u>1,118,062</u>
Total cash and investment assets - December 31	<u>\$ 993,119</u>	<u>\$ 679,228</u>	<u>\$ 1,672,347</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 578,458	\$ 387,571	\$ 966,029
Customer deposits	152,033	-	152,033
Unrestricted	<u>262,628</u>	<u>291,657</u>	<u>554,285</u>
Total cash and investment fund balance - December 31	<u>\$ 993,119</u>	<u>\$ 679,228</u>	<u>\$ 1,672,347</u>

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

CITY OF BEDFORD
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 269,306	\$ -
State	531,643	-
Plan members	9,890	-
Interfund loans	629,364	-
Total contributions	1,440,203	-
Agency fund additions	-	8,418,837
Total additions	1,440,203	8,418,837
Deductions:		
Benefits	1,010,195	-
Refunds of contributions	3,000	-
Interfund loans	382,318	-
Administrative and general	340	-
Agency fund deductions	-	8,419,891
Total deductions	1,395,853	8,419,891
Excess (deficiency) of total additions over total deductions	44,350	(1,054)
Cash and investment fund balance - beginning	462,486	129,005
Cash and investment fund balance - ending	\$ 506,836	\$ 127,951

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

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Bedford

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for street and roadway receipts and disbursements.

The park and recreation fund accounts for culture and recreation receipts and disbursements.

The cumulative capital development fund accounts for capital projects and major equipment purchases.

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The CF-03-208 Lawrence County Museum fund accounts for the Lawrence County Historical Society's new museum rehabilitation project.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police and 1937 police and fire pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Water Utility and the Wastewater Utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General fund	Park and Recreation	\$ 770
	Cumulative capital development	502,478
	Other governmental	1,830
	Police pension	288,830
	Fire Pension	5
Motor Vehicle Highway	General fund	255,200
	Fire Pension	37,604
Park and Recreation	General fund	234,313
	Cumulative Capital Development	55,136
	Police Pension	146,442
	Fire Pension	156,482
Cumulative Capital Development	General fund	502,478
	Park and Recreation	55,136
	Other governmental	31,716
Other governmental	General fund	2,211
	Motor Vehicle Highway	31,716
Police Pension	General fund	288,830
Fire Pension	General fund	5
	Park and Recreation	93,483
Total		\$ 2,684,665

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Loans Receivable – Indiana Economic Development Corporation (Formerly the Indiana Department of Commerce)

Prior to January 1, 2005, the City was the recipient of a Community Development Block Grant (CDBG). Proceeds from this grant program were used to establish and implement a local microenterprise assistance program to meet the needs of local owners of microenterprises, or those entrepreneurs desiring to establish a microenterprise. A portion of these grant proceeds were loaned to microenterprises. A summary of the loans outstanding as of December 31, 2005, follows:

	<u>Chuck's Carry Out</u>	<u>BETA Shoes</u>
Date of Loan	09-06-01	03-25-05
Original Loan Amount	\$ 2,500.00	\$ 10,907.06
Interest Rate	3%	3%
Required Monthly Payment	44.92	195.99
Outstanding Balance, December 31, 2005	565.40	10,229.64

C. Rate Structure – Enterprise Funds

Water Utility

On May 11, 2004, the Common Council adopted Ordinance No. 15-2004 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Common Council on October 12, 2004.

Wastewater Utility

The current rate structure was approved by the Common Council on May 11, 1999.

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 195,376	\$ 918,200	\$ 952,700
Interest on net pension obligation	(11,222)	172,600	247,100
Adjustment to annual required contribution	<u>12,788</u>	<u>(301,600)</u>	<u>(431,700)</u>
Annual pension cost	196,942	789,200	768,100
Contributions made	<u>251,476</u>	<u>292,559</u>	<u>508,391</u>
Increase (decrease) in net pension obligation	(54,534)	496,641	259,709
Net pension obligation, beginning of year	<u>(154,785)</u>	<u>2,557,325</u>	<u>3,660,890</u>
Net pension obligation, end of year	<u>\$ (209,319)</u>	<u>\$ 3,053,966</u>	<u>\$ 3,920,599</u>

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6%	807%	419%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members.

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 256,859	91%	\$ (105,769)
	06-30-04	203,390	124%	(154,785)
	06-30-05	196,942	124%	(209,319)
1925 Police Officers' Pension Plan	12-31-02	806,700	54%	2,138,640
	12-31-03	762,500	45%	2,557,325
	12-31-04	789,200	37%	3,053,966
1937 Firefighters' Pension Plan	12-31-02	885,600	39%	3,144,335
	12-31-03	834,800	38%	3,660,890
	12-31-04	768,100	66%	3,920,599

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

CITY OF BEDFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries		
currently receiving benefits	26	22
Current active employees	2	3

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004 and 2003, were \$501,941, \$479,455 and \$453,067, respectively, equal to the required contributions for each year.

CITY OF BEDFORD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,924,790	\$ 4,355,583	\$ (430,793)	90%	\$ 3,833,554	(11%)
07-01-04	4,024,073	4,369,388	(345,315)	92%	3,751,135	(9%)
07-01-05	4,223,422	4,603,157	(379,735)	92%	4,020,705	(9%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 191,725	\$ 7,943,200	\$ (7,751,475)	2%	\$ 130,000	(5,963%)
01-01-01	258,675	8,010,300	(7,751,625)	3%	133,800	(5,793%)
01-01-02	412,687	8,064,400	(7,651,713)	5%	138,400	(5,529%)
01-01-03	616,678	7,358,000	(6,741,322)	8%	143,800	(4,688%)
01-01-04	205,776	7,794,900	(7,589,124)	3%	111,000	(6,837%)
01-01-05	266,357	7,593,800	(7,327,443)	4%	113,800	(6,439%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 182,374	\$ 9,087,400	\$ (8,905,026)	2%	\$ 292,600	(3,043%)
01-01-01	237,396	8,893,300	(8,655,904)	3%	267,700	(3,233%)
01-01-02	464,872	8,893,400	(8,428,528)	5%	276,800	(3,045%)
01-01-03	529,151	8,781,300	(8,252,149)	6%	287,700	(2,868%)
01-01-04	132,612	7,871,100	(7,738,488)	2%	222,000	(3,486%)
01-01-05	196,129	7,852,200	(7,656,071)	2%	227,600	(3,364%)

CITY OF BEDFORD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-99	\$ 715,900	16%	51%
	12-31-00	807,400	15%	59%
	12-31-01	841,800	31%	44%
	12-31-02	878,500	18%	32%
	12-31-03	858,900	20%	20%
	12-31-04	918,200	2%	30%
1937 Firefighters' Pension Plan	12-31-99	\$ 937,200	11%	38%
	12-31-00	951,600	15%	49%
	12-31-01	956,500	27%	20%
	12-31-02	991,200	22%	13%
	12-31-03	976,700	10%	23%
	12-31-04	952,700	27%	26%

CITY OF BEDFORD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Local Road and Street	FEMA EMW- 2004-FG- 11860	Law Enforcement Continuing Education	Nonreverting Electronic Map Generation Fund	Park Nonreverting Operating	Golf Carts Nonreverting	Otis Park Trust	Nonreverting Funds Otis Park
Receipts:								
Intergovernmental	\$ 83,725	\$ 27,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	12,315	257	20,557	19,241	-	67,170
Other	-	-	40	-	-	8,361	4,030	262,398
Total receipts	83,725	27,018	12,355	257	20,557	27,602	4,030	329,568
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	-	30,020	17,174	-	-	-	-	-
Highways and streets	90,000	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	23,922	-	7,286	593,845
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	28,429	-	-
Interest	-	-	-	-	-	1,571	-	-
Capital outlay:	-	-	-	-	-	-	-	-
Total disbursements	90,000	30,020	17,174	-	23,922	30,000	7,286	593,845
Excess (deficiency) of revenue over disbursements	(6,275)	(3,002)	(4,819)	257	(3,365)	(2,398)	(3,256)	(264,277)
Other financing sources (uses)								
Loan proceeds	-	-	-	-	-	-	-	310,000
Interfund services provided and used	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	310,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,275)	(3,002)	(4,819)	257	(3,365)	(2,398)	(3,256)	45,723
Cash and investment fund balance - beginning	43,321	3,002	19,045	573	6,322	2,398	3,857	6,019
Cash and investment fund balance - ending	\$ 37,046	\$ -	\$ 14,226	\$ 830	\$ 2,957	\$ -	\$ 601	\$ 51,742
Cash and Investment Assets - December 31								
Restricted assets:								
Cash and investments	\$ 37,046	\$ -	\$ 14,226	\$ 830	\$ 2,957	\$ -	\$ 601	\$ 51,742
Cash and Investment Fund Balance - December 31								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ 830	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	14,226	-	-	-	-	-
Highways and streets	37,046	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,957	-	601	51,742
Urban redevelopment	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 37,046	\$ -	\$ 14,226	\$ 830	\$ 2,957	\$ -	\$ 601	\$ 51,742

CITY OF BEDFORD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Nonreverting Funds John Lowery Pool	K-9	2003 Dare Fund	LCLCC Drug Free Fund	Lifeskills II 2003-ND-FX -0075	Crime Control Fund	Fire Prevention Fund
Receipts:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ -
Charges for services	4,488	-	-	-	-	-	-
Other	-	228	9,962	5,500	-	5,000	6,375
Total receipts	4,488	228	9,962	5,500	15,000	5,000	6,375
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	228	7,719	5,403	14,619	-	5,656
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	5,000	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:	-	-	-	-	-	-	-
Total disbursements	5,000	228	7,719	5,403	14,619	-	5,656
Excess (deficiency) of revenue over disbursements	(512)	-	2,243	97	381	5,000	719
Other financing sources (uses)							
Loan proceeds	-	-	-	-	-	-	-
Interfund services provided and used	-	-	-	-	(14,674)	-	-
Interfund loans	-	-	-	-	14,293	-	-
Total other financing sources (uses)	-	-	-	-	(381)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(512)	-	2,243	97	-	5,000	719
Cash and investment fund balance - beginning	3,242	-	1,759	380	-	-	454
Cash and investment fund balance - ending	\$ 2,730	\$ -	\$ 4,002	\$ 477	\$ -	\$ 5,000	\$ 1,173
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	\$ 2,730	\$ -	\$ 4,002	\$ 477	\$ -	\$ 5,000	\$ 1,173
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	4,002	477	-	5,000	1,173
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	2,730	-	-	-	-	-	-
Urban redevelopment	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 2,730	\$ -	\$ 4,002	\$ 477	\$ -	\$ 5,000	\$ 1,173

CITY OF BEDFORD
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Housing Rehab HD 004-002	Micro Loan Program	Alarms	Center for Behavioral Health Grant	Cumulative Capital Improvement	Nonreverting Transit Capital	Totals
Receipts:							
Intergovernmental	\$ 298,600	\$ -	\$ -	\$ -	\$ 42,561	\$ -	\$ 466,904
Charges for services	-	-	10	-	-	-	124,038
Other	999	1,274	-	-	-	-	304,167
Total receipts	299,599	1,274	10	-	42,561	-	895,109
Disbursements:							
General government	-	11,180	-	-	-	-	11,180
Public safety	-	-	-	-	-	-	80,819
Highways and streets	-	-	-	-	-	-	90,000
Culture and recreation	-	-	-	-	-	-	630,053
Urban redevelopment and housing	317,818	-	-	-	-	-	317,818
Debt service:							
Principal	-	-	-	-	-	-	28,429
Interest	-	-	-	-	-	-	1,571
Capital outlay:	-	-	-	-	-	46,567	46,567
Total disbursements	317,818	11,180	-	-	-	46,567	1,206,437
Excess (deficiency) of revenue over disbursements	(18,219)	(9,906)	10	-	42,561	(46,567)	(311,328)
Other financing sources (uses)							
Loan proceeds	-	-	-	-	-	-	310,000
Interfund services provided and used	(19,253)	-	-	-	-	-	(33,927)
Interfund loans	19,253	-	-	-	-	-	33,546
Total other financing sources (uses)	-	-	-	-	-	-	309,619
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,219)	(9,906)	10	-	42,561	(46,567)	(1,709)
Cash and investment fund balance - beginning	39,718	23,196	219	95	77,928	168,862	400,390
Cash and investment fund balance - ending	\$ 21,499	\$ 13,290	\$ 229	\$ 95	\$ 120,489	\$ 122,295	\$ 398,681
Cash and Investment Assets - December 31							
Restricted assets:							
Cash and investments	\$ 21,499	\$ 13,290	\$ 229	\$ 95	\$ 120,489	\$ 122,295	\$ 398,681
Cash and Investment Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ 13,291	\$ -	\$ 95	\$ -	\$ -	\$ 14,216
Public safety	-	-	229	-	-	-	25,107
Highways and streets	-	-	-	-	-	-	37,046
Culture and recreation	-	-	-	-	-	-	58,030
Urban redevelopment	21,498	-	-	-	-	-	21,498
Capital outlay	-	-	-	-	120,489	122,295	242,784
Total cash and investment fund balance - December 31	\$ 21,498	\$ 13,291	\$ 229	\$ 95	\$ 120,489	\$ 122,295	\$ 398,681

CITY OF BEDFORD
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 15,047	\$ 254,259	\$ 269,306
State	277,511	254,132	531,643
Plan members	4,551	5,339	9,890
Interfund loans	<u>472,876</u>	<u>156,488</u>	<u>629,364</u>
Total additions	<u>769,985</u>	<u>670,218</u>	<u>1,440,203</u>
Deductions:			
Benefits	477,346	532,849	1,010,195
Administrative and general	1,500	1,500	3,000
Interfund loans	288,830	93,488	382,318
Other	<u>100</u>	<u>240</u>	<u>340</u>
Total deductions	<u>767,776</u>	<u>628,077</u>	<u>1,395,853</u>
Excess of total additions over total deductions	2,209	42,141	44,350
Cash and investment fund balance - beginning	<u>266,357</u>	<u>196,129</u>	<u>462,486</u>
Cash and investment fund balance - ending	<u>\$ 268,566</u>	<u>\$ 238,270</u>	<u>\$ 506,836</u>

CITY OF BEDFORD
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2005

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Retroactive reporting of general infrastructure assets will occur by 2007.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 667,320
Buildings	106,385
Improvements other than buildings	21,018,907
Machinery and equipment	<u>4,859,895</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 26,652,508</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 70,215
Buildings	9,089,232
Improvements other than buildings	4,121,244
Machinery and equipment	<u>603,992</u>
 Total Water Utility capital assets	 <u>13,884,683</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	47,438
Buildings	11,039,832
Improvements other than buildings	4,115,826
Machinery and equipment	<u>648,967</u>
 Total Wastewater Utility capital assets	 <u>15,852,063</u>
 Total business-type activities capital assets	 <u>\$ 29,736,746</u>

CITY OF BEDFORD
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2005

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Notes and loans payable	<u>\$ 310,000</u>	<u>\$ 74,155</u>
Business-type Activities:		
Water Utility:		
Loans:		
Water State Revolving Loan	\$ 4,900,000	\$ 265,000
Wastewater Utility:		
Loans:		
Wastewater Revolving Loan	<u>4,325,000</u>	<u>255,000</u>
Total business-type activities long-term debt:	<u>\$ 9,225,000</u>	<u>\$ 520,000</u>

CITY OF BEDFORD
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LEAVE AND OVERTIME POLICY

A leave or overtime policy was not presented for audit. The Fair Labor Standards Act provides Federal requirements for fair labor standards. Part of the act defines time worked to obtain overtime and does not include employer provided leave such as vacation, sick, etc. The City has allowed all employees to receive overtime as long as the total number of hours paid through time worked, vacation, sick, holiday and other approved leave exceeds the federal limit for overtime. However, the City has not presented a leave or overtime policy approved by the governing board.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF BEDFORD, LAWRENCE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Bedford (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 6, 2007

CITY OF BEDFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program Housing Rehabilitation	14.228	HD 004-002	\$ 286,973
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program Lawrence County Museum	14.228	CF-03-208	<u>205,623</u>
Total for federal grantor agency			<u>492,596</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Hoosier Uplands Drug Free Communities Support Program Grant	16.729	Lifeskills 2003-ND-FX-0075	<u>15,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509		<u>203,931</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant	97.044	EMW-2004-FG-11860	<u>27,018</u>
Total federal awards expended			<u>\$ 738,545</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF BEDFORD
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bedford (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF BEDFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF BEDFORD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF BEDFORD
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2007, with Donna M. Brumbaugh, Clerk-Treasurer; Mark Scherschel, President of the Common Council; and Joe D. Klumpp, Mayor. The officials concurred with our audit findings.