

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

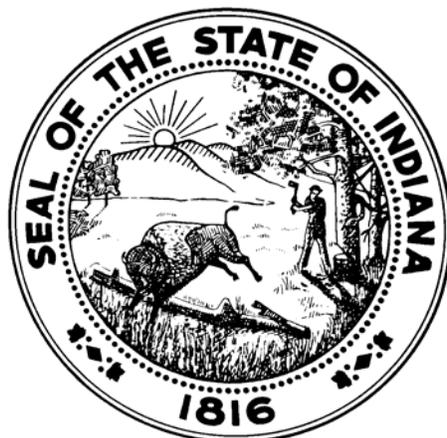
EXAMINATION REPORT

OF

CITY OF BEDFORD

LAWRENCE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**  
10/30/2007



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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 City Council	Mark Scherschel	01-01-06 to 12-31-07
President of the Board of Works	Joe D. Klumpp	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Bedford (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 28, 2007

CITY OF BEDFORD  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 1,716,008	\$ 9,077,587	\$ 9,690,084	\$ 1,103,511
Levy Excess	-	394,297	352,506	41,791
Motor Vehicle Highway	505,605	1,975,615	1,925,283	555,937
Local Road and Street	37,046	80,717	75,000	42,763
Park and Recreation	128,105	1,956,159	2,042,150	42,114
FEMA EMW-2005-FG-12771	-	81,556	81,309	247
Law Enforcement Continuing Education	14,226	14,179	11,552	16,853
Nonreverting Electronic Map Generation Fund	830	107	-	937
Parks Non-Reverting Operating	2,957	24,320	22,028	5,249
Otis Park Trust	601	4,188	940	3,849
Nonreverting Funds Otis Park	51,742	53,841	101,227	4,356
Nonreverting Funds John Lowery Pool	2,730	6,346	5,000	4,076
K-9	-	1,650	1,163	487
2003 Dare Fund	4,002	12,273	11,513	4,762
LCCLCC Drug Free Fund	477	4,500	4,899	78
Crime Control Fund	5,000	-	-	5,000
Emergency Services Unit Fund	-	50	-	50
Fire Prevention Fund	1,173	5,175	4,441	1,907
Housing Rehab HD 004-002	21,498	4,080	22	25,556
Micro Loan Program	13,291	1,667	525	14,433
Alarms	229	-	-	229
Center for Behavioral Health Grant	95	-	95	-
Otis Bandshell CF-04-237	-	112,619	105,861	6,758
Depot Contract R27880	-	42,263	41,830	433
Convention Center Planning Grant	-	6,000	-	6,000
Cumulative Capital Improvement	120,489	149,186	143,400	126,275
Cumulative Capital Development	630,056	1,396,991	1,341,075	685,972
Non-Reverting Transit Capital	122,295	248,053	258,412	111,936
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	579	1,391,145	1,391,255	469
Wastewater Utility - Depreciation	220	296,400	266,100	30,520
Wastewater Utility - Revenue	14,136	2,060,916	2,075,052	-
Wastewater Utility - Insurance	32,882	100,048	86,849	46,081
Wastewater Utility - Bond and Interest	387,571	769,495	765,920	391,146
Wastewater Utility - Cash Reserve	226,550	-	165,200	61,350
Wastewater Utility - Bio Solid	17,290	96,000	30,841	82,449
Water Utility - Operating	57,249	2,673,734	2,662,342	68,641
Water Utility - Bond and Interest	578,458	817,380	812,637	583,201
Water Utility - Depreciation	135,744	135,984	116,500	155,228
Water Utility - Customer Deposit	152,033	44,093	34,220	161,906
Water Utility - Tower	34,760	21,600	-	56,360
Water Utility - Insurance	34,875	108,379	93,192	50,062
Storm Water Utility - Operating	-	2,522	448	2,074
<b>Fiduciary Funds:</b>				
Police Officers' Pension	268,566	675,639	788,755	155,450
Firefighters' Pension	238,270	790,309	816,888	211,691
Payroll	127,951	8,713,132	8,705,681	135,402
<b>Totals</b>	<u>\$ 5,685,589</u>	<u>\$ 34,350,195</u>	<u>\$ 35,032,195</u>	<u>\$ 5,003,589</u>

The accompanying notes are an integral part of the financial information.

CITY OF BEDFORD  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, urban redevelopment, water, wastewater, storm water, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BEDFORD  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

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 this 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 members' 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. 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 Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

During 2007, the City entered into a five-year loan in the amount of \$440,000 for the purchase of a fire truck.

CITY OF BEDFORD, INDIANA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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 in 2007.

	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 667,320
Buildings	106,385
Improvements other than buildings	21,118,156
Machinery and equipment	4,945,301
 Total governmental activities, capital assets not being depreciated	 \$ 26,837,162

	Ending Balance
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 27,500
Buildings	20,929,562
Machinery and equipment	420,442
 Total Water Utility capital assets	 21,377,504
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	27,500
Buildings	13,424,349
Machinery and equipment	422,967
 Total Wastewater Utility capital assets	 13,874,816
 Total business-type activities capital assets	 \$ 35,252,320

CITY OF BEDFORD, INDIANA  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	<u>\$ 257,221</u>	<u>\$ 58,850</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Water State Revolving Loan	\$ 4,635,000	\$ 270,000
Wastewater Utility		
Wastewater Revolving Loan	<u>4,070,000</u>	<u>260,000</u>
Total business-type activities long-term debt:	<u>\$ 8,705,000</u>	<u>\$ 530,000</u>

CITY OF BEDFORD  
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Utilities do not maintain sufficient detailed records of capital assets for the Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service accounts, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Some 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. 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)

PERSONAL EXPENSES

Police DARE Officer, Joe Fender, was reimbursed on September 8, 2005 for expenses related to a DARE National Conference in the amount of \$1,173.66. Of that amount, it was determined that \$520.57 was personal in nature, and was associated with hotel, meal, and car rental expenses not related to the actual dates of the conference. Officer Fender has signed a written agreement with the Clerk-Treasurer's office to have amounts withheld from his wages until the amount of \$520.57 has been repaid in full.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

Personal expenditures were paid for on the City's procurement card by the DARE Officer in violation of the City's procurement card policy. The Procurement Card Handbook specifically states that the card is not to be used to pay for personal expenses.

The City has allowed individuals within the same job classification, that work in different departments to work less hours than others, as a result of some receiving a paid lunch break and others not receiving a paid lunch break. City officials are currently working to resolve this issue.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BEDFORD  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The City may not have complied with directives of Fair Labor Standards Act when exempting some employees from overtime and compensatory time.

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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BEDFORD, LAWRENCE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2007, with Donna M. Brumbaugh, Clerk-Treasurer; Mark Scherschel, President of the City Council; and Joe D. Klumpp, Mayor. The officials concurred with our findings.