CITY OF BEDFORD, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2011

Prepared by:

City of Bedford, Texas
Finance Department

CITY OF BEDFORD, TEXAS

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INTRODUCTORY SECTION

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CITY of BEDFORD

2000 FOREST RIDGE DRIVE, BEDFORD, TEXAS 76021-1895

February 24, 2012

Citizens of Bedford, Honorable Mayor,
Members of the City Council, and City Manager:

The Administrative Services Department is pleased to submit the Comprehensive Annual Financial Report for the City of Bedford, Texas, for the fiscal year ended September 30, 2011. This report was prepared through the cooperative effort of the Administrative Services Department and the City's independent auditor. It is published to provide the City Council, staff, citizens, bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation rests with the City. We believe the data, as presented, is accurate in all material aspects. It is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and all disclosures necessary have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a list of principal officials and an organizational chart. The financial section includes the independent auditor's report, a Management's Discussion and Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules. The statistical section includes a variety of financial and demographic information presented on a multi-year basis that is relevant to a financial statement reader. The financial section is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB).

CITY PROFILE

The City of Bedford is a predominately residential community located in Tarrant County, near several major transportation links between Dallas and Fort Worth. It is part of the "Metroplex" of North Central Texas, which includes the cities of Dallas and Fort Worth. The City of Bedford is bordered on the east and south by the City of Euless, on the west by the City of Hurst and on the north by the City of Colleyville. Bedford lies approximately five miles from the Dallas/Fort Worth International Airport, 12 miles from downtown Fort Worth and 20 miles from downtown Dallas. There are three State Highways (183, 121, 157) and two Interstate Highways (35, 30) serving the City with the nearest Interstate located six miles away.

The City was incorporated in 1953 under the general laws of the State of Texas and the voters approved the current charter in 1966. The City is a home rule city and operates under the Council/Manager form of government. The City Council is composed of a mayor and six council members elected at large every three years.

THE REPORTING ENTITY AND ITS SERVICES

Generally accepted accounting principles require that basic financial statements present the City (the primary government) and its component units. Component units are organizations for which the City 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. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. Based on this criterion, the following blended component unit is included. The City of Bedford Street Improvement Economic Development Corporation (EDC) is governed by a seven-member board appointed by the City Council. Although it is legally separate from the City, the EDC is reported as a Special Revenue Fund as if it were part of the primary government because its sole purpose is to operate, maintain and finance the costs of the City's street improvements using sales taxes collected under Section 4B of the Development Corporation Act of 1979.

Services provided by the City under the general governmental functions include police and fire protection, emergency medical services, planning and zoning, code enforcement and inspections, street maintenance, park, recreation, library and senior citizen services. A Special Revenue Fund is used to account for revenues derived from hotel/motel taxes, with proceeds used to promote tourism. Water and sewer services are provided under an enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. Drainage maintenance services are also provided under the enterprise fund concept, implemented in 1991 in accordance with amendments to Title 13 of the Texas Local Government Code.

The water supply for the City of Bedford is provided by the Trinity River Authority (TRA), which provides treated water to Bedford, Euless, Colleyville, Grapevine and North Richland Hills pursuant to separate, but similar contracts dated January 21, 1972, and April 25, 1979. In October 1973, the Trinity River Authority (Central Regional Wastewater System) entered into a 50-year contract with numerous cities in the metroplex, including the City of Bedford for construction of a wastewater treatment plant to service all contracting parties.

The original 50- year duration of the contract is automatically extended through the latest maturity of any TRA outstanding debt issues.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements should be considered from the broad perspective of the specific environment within which the City operates.

In recent years, the City of Bedford, located in the heart of the Dallas-Fort Worth Metroplex (DFW), has experienced a significant slowdown in population growth. The 2010 census reflects a population of 46,979, which is approximately a 0.4% decrease from the census results of 2000. In addition, the City's property tax base has continued to decline slightly over the past few years due to the overall downturn of the economic climate and its affect on the housing market.

Several light manufacturing firms are located in Bedford, as well as a variety of commercial establishments, restaurants, health care facilities, retail stores, shops and food stores. Several of the retail shopping centers in the City are undergoing renovation and expansion. Undeveloped property accounts for approximately 2% of the total area in the City. The City is not financially dependent upon any one industry, or type of industry. The City recognizes the value of commercial development to its economic base and continues to encourage commercial growth that will be beneficial to the community.

The local economy, like the North Texas Region, has been impacted by the economic downturn experienced by the nation as a whole. In addition, the City of Bedford has also experienced that same impact with a decline in sales tax revenue by 4.9% or $470,722 when compared to the prior year.

A significant portion of the City's general operating revenue (27.6%) is derived from sales tax and efforts to maintain and grow our sales tax base are a high priority. As a policy, the City Council has set certain economic goals that are intended to attract high quality, visually appealing businesses, as well as revitalize and invest in areas that have seen some deterioration of economic activity. By emphasizing the need to be more business friendly, the goals of the City Council seek to provide the general direction for future land use plans and decisions for Bedford.

Current longer range financial planning primarily revolves around several major water/sewer system infrastructure projects as well as a significant improvements to our drainage system. In addition, as the City is approximately 98% built out, significant planning initiatives are being considered to provide for re-development of certain aging corridors within the City.

The State of Texas plans to widen State Highway 183 (Airport Freeway), which runs East/West through the center of the City, and will have a significant impact on a number of businesses along the current frontage road. The City is working on plans to minimize the possible negative impact and to attempt to turn the project into a positive as it develops over the next several years. The project will likely have a significant impact on sales tax and on property values over the next several years and the City is in the process of attempting to analyze the magnitude of the financial impact that will result from the project in the short and longer term.

In addition, we have established a facility/utility maintenance fund and a computer/vehicle replacement fund, recognizing that a scheduled maintenance, repair and replacement program provides for the best utilization of financial resources.

To the extent that operations result in surplus funds, we will continue to fund various capital needs of a one-time nature from the surplus rather than issuing unnecessary debt.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary funds are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived and the evaluation of cost and benefits requires estimates and judgments by management. We believe the City's internal control structure is adequate to safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The budgetary process begins each year with the preparation of revenue estimates by the City's Administrative Services Department staff and expenditure estimates by each City department. Estimates are reviewed by the City Manager, and evaluated within the total financial framework. Budget proposals are recommended by the City Manager and reviewed extensively by the City Council, a process that includes a public hearing. After the conclusion of the public hearing, the City Council may make changes as deemed appropriate. The budget as amended is then adopted by ordinance, which also adopts the tax rate.

In addition, the annual budget also contains a capital improvement program which may be revised and extended each year to indicate capital improvements pending or in process of construction or acquisition. The capital program includes a list of all capital improvements that are planned during the upcoming five fiscal years, cost estimates, time schedules and methods of financing for each improvement.

GENERAL GOVERNMENTAL FUNCTIONS

Property Taxes

All eligible property within the City is subject to assessment, levy, and collection of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. Under State law, the City is limited to a maximum tax rate of $2.50 per $100 assessed valuation. In addition, the City's home rule charter limits the tax rate to a maximum of $1.50 per $100 assessed valuation.

The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (TAD). The City of Bedford and other taxing jurisdictions in Tarrant County provide a pro rata share of the budgeted expenditures incurred by TAD based upon individual levy. The City contracts with the Tarrant County Tax office for tax billing and collection services.

OTHER INFORMATION

Audit

The City Charter requires an annual audit of the books of accounts, financial records and transactions of all administrative departments of the City by independent certified public accountants selected and engaged by the City Council. The Independent Auditor's report is included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bedford for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended September 30, 2010. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized CAFR with contents that conform to program standards. In addition, an award winning CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the fourteenth consecutive year the City of Bedford has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA for their consideration.

CITY of BEDFORD

2000 FOREST RIDGE DRIVE, BEDFORD, TEXAS 76021-1895

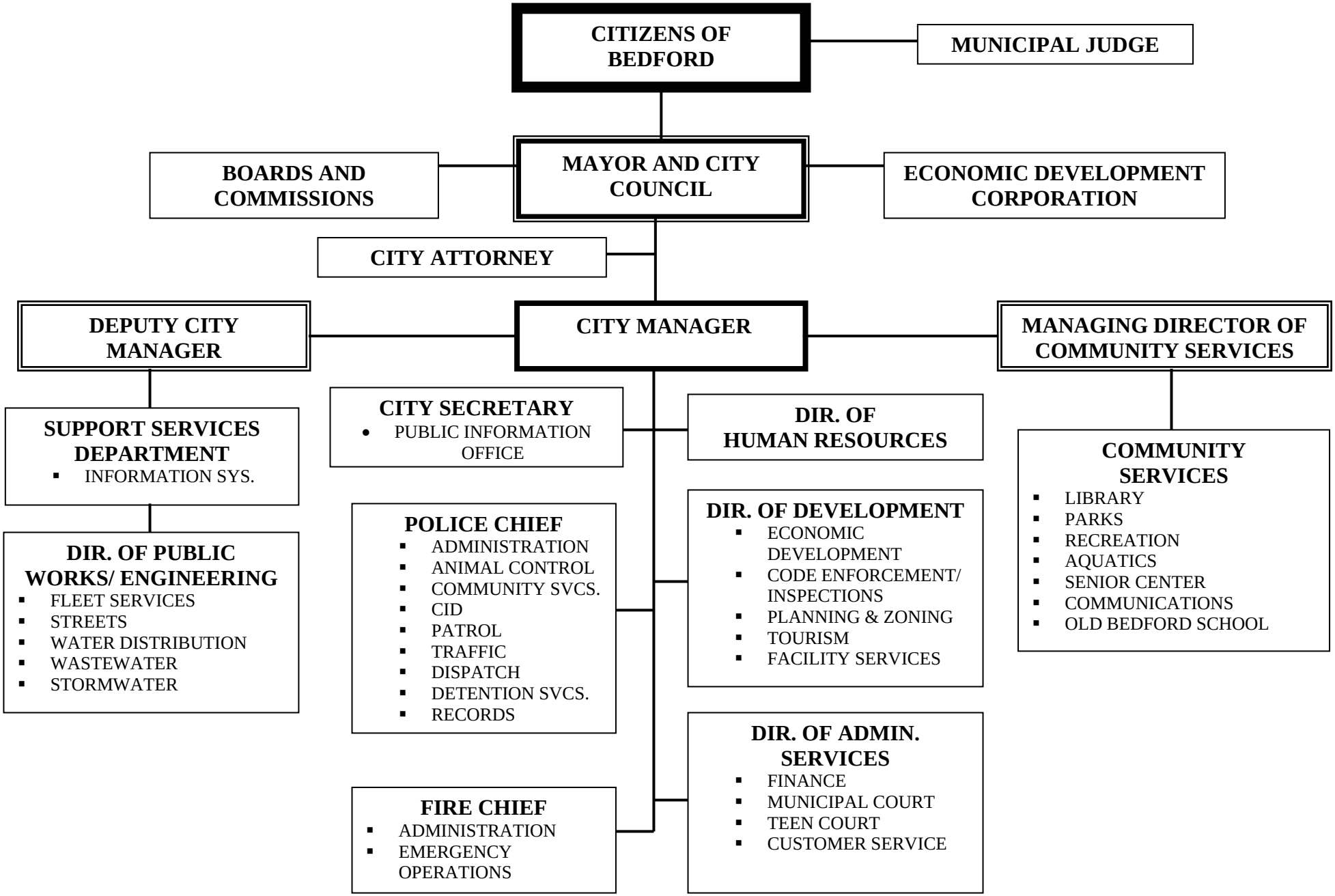
ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Administrative Services Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Special acknowledgment is extended to Philip Bray, and the entire Accounting Staff, whose hard work and dedication was instrumental in the preparation of this report. Acknowledgment is also given to representatives of Pattillo, Brown & Hill, L.L.P. for their assistance in producing the final product. Our appreciation is extended to the Mayor, the members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Clifford Blackwell, C.G.F.O.
Director of Administrative Services

CITY OF BEDFORD
ORGANIZATIONAL CHART



CITY OF BEDFORD

Principal Officials
Fiscal Year 2010 – 2011

ELECTED

CITY COUNCIL

Jim Story – Mayor

Roger Fisher, Council Member, Place 1

Roy Savage, Council Member, Place 2

Jim Griffin, Council Member, Place 3

Ray Champney, Mayor Pro Tem, Place 4

Dr. Roy Turner, Council Member, Place 5

Chris Brown, Council Member, Place 6

SENIOR STAFF

Beverly Queen-Griffith, City Manager

David Miller ..... Deputy City Manager

Michael Wells .....City Secretary

Jill McAdams .....Director of Human Resources

James Tindell .... Fire Chief

Roger Gibson .....Police Chief

John Kubala ..... Director of Public Works/Engineering

Mirenda Mcquagge-Walden .....Managing Director of Community Services

Clifford Blackwell ..... Director of Administrative Services

Bill Syblon ..... Director of Development

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bedford Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

FINANCIAL SECTION

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PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City of Council
City of Bedford, Texas

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, Texas, as of and for the year ended September 30, 2011, 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 of Bedford, Texas' 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the City adopted the provisions of GASB Statement No. 54, "Fund Balance and Governmental Fund Type Definitions," in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, on our consideration of the City of Bedford, Texas' 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 of financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on 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.

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AFFILIATE OFFICES: BROWNSVILLE, TX (956) 544-7778 ■ HILLSBORO, TX (254) 582-2583
TEMPLE, TX (254) 791-3460 ■ ALBUQUERQUE, NM (505) 266-5904

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 though 11 and 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bedford, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations,* and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Pattillo, Brown & Hill, L.L.P.

February 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

The discussion and analysis of the City of Bedford's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the accompanying transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Bedford exceeded its liabilities at the close of the most recent fiscal year by $57,240,353 (net assets). Of this amount, $8,343,691 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.
- The City's net assets increased by $546,971. The increase is predominately the result of increased water and sewer revenues in excess of expenses, resulting in a change in water and sewer net assets by 177%.
- As of September 30, 2011, the City of Bedford's governmental funds reported combined ending fund balances of $12,445,281, a decrease of $636,538 in comparison with the prior fiscal year. Of this amount, $3,882,751 or 31.2% percent of the total amount, is unassigned.
- As of September 30, 2011, the fund balance for the General Fund decreased by $1,588,494. Total General Fund fund balance is $4,413,970. The decrease is primarily due to the completion of the library construction project as well as budgeted shortfall in revenue.
- The City's total debt increased by $3,276,998 during the 2010/11 fiscal year. The City issued $14,775,000 of debt during the 2010/11 fiscal year, $6,030,000 of which was refunding debt.

USING THIS ANNUAL REPORT

This discussion and analysis serves as an introduction to the City of Bedford's basic financial statements. This annual report consists of a series of financial statements.

- The statement of net assets and statement of activities provide information about the activities of the City a whole and presents a long-term view of the City's finances.
- The next section is the fund financial statements. For governmental activities, these statements tell how these 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 statements by provide information about the City's most financially significant funds.
- This report also includes other supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

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 net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets (the difference between assets, what the citizens own, and liabilities, what the citizens owe) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, and the condition of the City's capital assets (roads, buildings, and water and sewer lines) to assess the overall health of the City.

In the statement of net assets and the statement of activities, the City is divided into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Property taxes, sales taxes, charges for services, and fines/forfeitures finance most of these activities.

- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, and stormwater facilities are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain revenues.

The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds—

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (of differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliations.

Proprietary funds—

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Generally speaking, a City maintains two different types of proprietary funds to record charges for the full cost of the services it provides whether to outside customers or to other units of the City. These services are reported in either Enterprise Funds or Internal Service Funds.

- ***Enterprise Funds*** are used to report the same function presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its Water and Sewer and Stormwater operations.

- ***Internal Service Funds*** are an accounting device used to accumulate costs internally among various functions of the City. The City currently has no operations that qualify as an Internal Service Fund.

Fiduciary funds—

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources would not be available to support the City's own programs. The City of Bedford currently has no fiduciary funds.

Major governmental funds—

As noted elsewhere in this report, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Information such as unassigned fund balance serves as a useful measure of the City's ability to finance upcoming requirements. As a measure of the General Fund's liquidity, year ending unassigned fund balance of $4,087,163 represents 56 days of next year's budgeted expenditures.

The Debt Service Fund has a total fund balance of $1,219,755, all of which is reserved for the payment of debt. There was a decrease in fund balance of $21,114 during the current year.

The Street Bond Capital Project Fund has a total fund balance of $1,815,920, all of which is reserved for street projects. There was an increase in fund balance of $27,803 during fiscal 2010/2011 due as a result of interest income and assessments collected.

The Economic Development 4B Special Revenue Fund has a total fund balance of $1,183,613, all of which is reserved for street infrastructure improvements and maintenance. There was a decrease in fund balance of $895,406 during the current year.

THE CITY AS A WHOLE

The City's combined net assets changed from a year ago, were adjusted back from $58,857,693 to $56,693,382 due to a prior period adjustment of $2,164,311 pertaining to court fine receivables that were overstated in years past (see Note III. L, page 53). Then, the combined net assets changed from $56,693,382 to $57,240,353 primarily due to increased water and sewer revenues in excess of expenditures thus increasing the water and sewer net assets.

Net assets of the City's governmental activities decreased from $29,740,453 at September 30, 2010, to $26,518,481 at September 30, 2011, or 10.8%. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased from $8,342,056 at September 30, 2010 to $8,343,691 at September 30, 2011, or (0.0%). Restricted net assets, those restricted mainly for capital projects and debt service decreased from $7,882,407 to $3,638,843, or 53.8%.

The largest portion of the City's net assets (79.1%) reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Resources needed to repay debt associated with acquisition of these assets must be provided from other sources, since the capital assets themselves cannot be used for this purpose.

Table 1
CITY OF BEDFORD'S NET ASSETS
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current	$ 15,591	$ 20,046	$ 13,274	$ 6,812	$ 28,866	$ 26,858
Other noncurrent assets	1,638	1,755	(73)	(244)	1,565	1,511
Capital assets	61,175	63,760	34,724	34,703	95,899	98,463
Total assets	78,404	85,561	47,925	41,271	126,329	126,832
Long-term liabilities	43,836	46,218	14,513	9,582	58,349	55,800
Current liabilities	8,050	9,603	2,690	2,572	10,740	12,175
Total liabilities	51,886	55,821	17,203	12,154	69,089	67,975
Net assets:						
Invested in capital assets, net of related debt	18,342	15,639	26,916	26,994	45,258	42,633
Restricted	3,639	7,306	-	576	3,639	7,882
Unrestricted	4,537	6,795	3,806	1,547	8,344	8,342
Total net assets	$ 26,518	$ 29,740	$ 30,722	$ 29,117	$ 57,240	$ 58,857

Governmental activities: Net assets from Governmental Activities decreased by $1,057,661. Primary uses of revenues (56.6%) relate directly to Public Safety functions. Public safety (Police, Fire, and EMS) program revenues less direct expenses totaled $(13,492,396) (43.0%).

Business-type activities: Revenues of the City's business-type activities totaled $21,186,830 for the fiscal year ended September 30, 2011. Expenses for these activities were $17,245,567, resulting in a net gain of $3,941,263 from operations before transfers. The net assets, after interfund transfers, of the business-type activities increased by $1,604,632 due primarily to increased water and sewer revenues from rate increases coupled with higher sales volumes due to the dryer weather climate of 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were lower than final budgeted revenues by $221,647 and actual expenditures were greater than budgeted expenditures by $1,292,086. Actual other financing sources (uses) were greater than budgeted other financing sources (uses) by $207,897. This resulted in a difference in budgeted and actual net change in fund balance of $1,631,790.

Table 2
CITY OF BEDFORD'S CHANGES IN NET ASSETS
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 6,183	$ 5,180	$ 21,102	$ 17,396	$ 27,285	$ 22,576
Operating grants and contributions	712	3,093	-	-	712	3,093
Capital grants and contributions	1,695	-	26	267	1,722	267
General revenues:						
Property taxes	13,969	13,714	-	-	13,969	13,714
Other taxes	13,341	13,590	-	-	13,341	13,590
Interest and investment earnings	132	151	56	17	187	168
Other general revenues	531	1,347	3	112	534	1,459
Total revenues	36,562	37,075	21,187	17,792	57,749	54,867
Expenses:						
Public safety	18,358	18,501	-	-	18,358	18,501
Leisure services	4,754	4,101	-	-	4,754	4,101
Community services	1,849	1,884	-	-	1,849	1,884
General government/ administration	3,906	4,118	-	-	3,906	4,118
Public services	8,876	9,039	-	-	8,876	9,039
Interest on long-term debt	2,213	2,140	-	-	2,213	2,140
Water and sewer	-	-	16,295	15,094	16,295	15,094
Storm water	-	-	951	731	951	731
Total expenses	39,957	39,783	17,246	15,825	57,202	55,608
Increases in net assets before transfers	(3,394)	(2,706)	3,941	1,967	547	(739)
Transfers	2,337	2,086	(2,337)	(2,086)	-	-
Change in net assets	(1,058)	(620)	1,604	(119)	547	(739)
Net assets, beginning	29,741	30,361	29,117	29,236	58,858	59,597
Prior period adjustment	(2,164)	-	-	-	(2,164)	-
Net assets, beginning as restated	27,577	30,361	29,117	29,236	56,694	59,597
Net assets, ending	$ 26,519	$ 29,741	$ 30,721	$ 29,117	$ 57,240	$ 58,858

THE CITY'S FUNDS

The following tables present a summary of General, Special Revenue, Capital Projects, and Debt Service Fund revenues and expenditures for the fiscal year ended September 30, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

Table 3
GENERAL REVENUES
(in thousands)

	2010-11 Amount	Percent of Total	Increase (Decrease) from 2009-10	Percent Increase (Decrease)
Taxes	$ 27,323	76.30%	$ 39	0.14%
Licenses and permits	521	1.46%	(189)	(26.63%)
Charges for services	2,817	7.87%	294	11.67%
Fines and forfeitures	2,109	5.89%	189	9.83%
Intergovernmental	2,329	6.50%	(705)	(23.24%)
Interest	132	0.37%	(20)	(12.95%)
Miscellaneous	577	1.61%	277	92.21%
Total revenues	$ 35,809	100.00%	$(115)	(0.32%)

Table 4
GENERAL EXPENDITURES
(in thousands)

	2010-11 Amount	Percent of Total	Increase (Decrease) from 2009-10	Percent Increase (Decrease)
General government	$ 1,638	3.92%	$(244)	(12.95%)
Community services	1,780	4.27%	(34)	(1.85%)
Public services	3,497	8.38%	(181)	(4.93%)
Administrative services	1,903	4.56%	(44)	(2.25%)
Public safety	16,986	40.70%	(158)	(0.92%)
Leisure services	3,783	9.06%	116	3.17%
Capital outlay	5,273	12.63%	(3,919)	(42.64%)
Debt service	6,875	16.47%	422	6.55%
Total expenditures	$ 41,736	100.00%	$(4,041)	(8.83%)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At September 30, 2011, the City had $243,929,789 invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, sewer, and storm water facilities. This represents a net increase of $6,452,731, or 3% over last year. Capital assets net of depreciation increased by approximately $2,564,284 or 2.60%. The primary reason for the increase is the addition of a new library facility. Therefore, the most significant impact of this capital outlay can be found among the Capital Projects Fund, the General Fund as well as the Grants-Special Revenue Fund.

Table 5
CITY OF BEDFORD'S CAPITAL ASSETS AT YEAR-END
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	$ 7,511	$ 7,509	$ 88	$ 88	$ 7,599	$ 7,597
Buildings and structures	25,256	13,686	519	519	25,775	14,205
Other improvements	121,173	121,122	-	-	121,173	121,122
Equipment	23,507	22,197	-	-	23,507	22,197
Utility distribution	-	-	62,779	61,657	62,779	61,657
Construction in progress	2,548	10,495	549	205	3,097	10,700
Total capital assets	$ 179,995	$ 175,008	$ 63,935	$ 62,469	$ 243,930	$ 237,478

The City's capital plans for FY2011/2012 call for expenditures of approximately $8.7 million for capital projects, primarily equipment, facility improvements, drainage improvements, and improvements in the water and sewer utility distribution system. The estimated expenditures for equipment are for a state of the art trunk radio system, heavy operating equipment, such as a new fire engine, a dump truck and a wood chipper, all totaling $1.3 million. In addition, facility improvements, worth $800,000, consist of major city-wide facility improvements plus land acquisition in conjunction with the completed library project that will ultimately benefit the Old Bedford School facility. The City has also begun the drainage improvement project, worth $2.3 million, for Sulphur Branch drainage basin by acquiring property within that area. Moreover, the City also began the design work for a major street improvement project as well as a lake dredging project, totaling approximately $500,000. And finally, $2.5 million in water and sewer improvements projects that consists of major improvements to the water distribution system as well as adding sanitary sewer improvements to address infiltration and inflow issues. Additional information on capital asset activity can be found in Note III F, pages 38 – 39 of this report.

Debt. At year-end, the City had $59,550,000 in General Obligation Bonds, Combination Tax and Revenue Certificates of Obligation, Personal Property Public Finance Contractual Obligations, Tax Notes and Revenue Bonds outstanding, compared to $57,835,000 at the end of the prior fiscal year, an increase of 3%. The City issued $14,775,000 of new debt during the 2010-2011 fiscal year.

Table 6
CITY OF BEDFORD'S OUTSTANDING DEBT AT YEAR-END
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligations	$ 46,020	$ 47,575	$ -	$ -	$ 46,020	$ 47,575
Certificates of obligation	-	-	8,830	6,490	8,830	6,490
Contractual obligations	-	-	-	-	-	-
Tax notes	190	375	-	-	190	375
Revenue bonds	-	-	4,510	3,395	4,510	3,395
	$ 46,210	$ 47,950	$ 13,340	$ 9,885	$ 59,550	$ 57,835

The City's current outstanding debt is rated AA by Standard & Poor's (S&P) and Aa2 by Moody's. The outstanding Water and Sewer debt is rated A1 from Moody's. Additional information regarding the City of Bedford's long-term debt can be found in Note III, on pages 39 – 42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A deteriorating economy which is affecting the two most significant revenue streams (sales tax and property tax) for the City's General Fund has resulted in a tightening and further very close monitoring of revenues and expenditures. The City raised is property tax rate for the second consecutive year. City management and the City Council are cognizant of the current conditions and are prepared to react as information and trends become more apparent.

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 the Finance Division at 2000 Forest Ridge Drive, Bedford, Texas 76021.

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FINANCIAL STATEMENTS

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CITY OF BEDFORD, TEXAS

STATEMENTS OF NET ASSETS

AS OF SEPTEMBER 30, 2011 AND 2010

	Primary Government		Totals	
	Governmental Activities	Business-type Activities	2011	2010
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,640,088	$ 9,673,241	$ 19,313,329	$ 14,524,750
Receivables (net of allowance)	4,713,306	3,579,351	8,292,657	9,525,254
Inventories and prepaid expenses	26,807	21,850	48,657	57,649
Restricted assets:				
Investments	1,210,885	-	1,210,885	2,750,804
Total current assets	15,591,086	13,274,442	28,865,528	26,858,457
Noncurrent assets:				
Advances to other funds	300,000	(300,000)	-	-
Bond issuance costs, net	1,338,192	226,596	1,564,788	1,511,240
Capital assets, not being depreciated	10,058,846	636,912	10,695,758	18,296,272
Capital assets, being depreciated	51,116,052	34,087,151	85,203,203	80,166,886
Total noncurrent assets	62,813,090	34,650,659	97,463,749	99,974,398
Total assets	$ 78,404,176	$ 47,925,101	$ 126,329,277	$ 126,832,855
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,545,726	1,242,732	2,788,458	5,227,629
Due to other governments	5,150	-	5,150	12,554
Escrow and unearned revenue	473,742	2,041	475,783	538,952
Customer deposits	-	792,767	792,767	780,420
Current portion of compensated absences	694,265	34,017	728,282	653,462
Current portion of long-term debt	5,330,901	618,394	5,949,295	4,962,000
Total current liabilities	8,049,784	2,689,951	10,739,735	12,175,017
Noncurrent liabilities:				
General obligation bonds	40,961,494	11,679,554	52,641,048	49,483,000
Tax notes	-	-	-	190,000
Revenue bonds	-	2,604,050	2,604,050	3,200,000
Compensated absences	1,388,531	68,036	1,456,567	1,306,922
Premium on bonds payable	1,265,159	138,157	1,403,316	1,465,561
Other post employment benefits	220,727	23,481	244,208	154,662
Total noncurrent liabilities	43,835,911	14,513,278	58,349,189	55,800,145
Total liabilities	51,885,695	17,203,229	69,088,924	67,975,162
NET ASSETS				
Invested in capital assets, net of related debt	18,342,224	26,915,595	45,257,819	42,633,230
Restricted for				
Capital acquisition and construction	473,998	-	473,998	3,057,320
Debt service	1,219,755	-	1,219,755	1,817,266
Economic development	1,183,613	-	1,183,613	2,079,019
Other purposes	52,482	-	52,482	928,802
Public safety	625,514	-	625,514	-
Parks and beautification	83,481	-	83,481	-
Unrestricted	4,537,414	3,806,277	8,343,691	8,342,056
Total net assets	26,518,481	30,721,872	57,240,353	58,857,693
Total liabilities and net assets	$ 78,404,176	$ 47,925,101	$ 126,329,277	$ 126,832,855

The accompanying notes are an integral part of these financial statements.

CITY OF BEDFORD, TEXAS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government and administration	$ 3,906,050	$ 88,135	$ 5,139	$ -
Community services	1,848,795	1,061,313	-	-
Public services	8,876,104	1,362,564	-	-
Public safety	18,358,228	2,541,942	628,706	1,695,184
Leisure services	4,754,190	1,129,453	77,904	-
Interest expense	2,213,384	-	-	-
Total governmental activities	39,956,751	6,183,407	711,749	1,695,184
Business-type activities:				
Water and sewer services	16,294,807	19,811,255	-	26,446
Stormwater collection and disposal	950,760	1,290,285	-	-
Total business-type activities	17,245,567	21,101,540	-	26,446
Total primary government	$ 57,202,318	$ 27,284,947	$ 711,749	$ 1,721,630

General revenues:
Taxes:
Property taxes, penalty and interest
Sales
Franchise
Occupancy
Other
Interest
Contributions not restricted to specific programs
Gain on sale of assets
Miscellaneous
Special item - Change in OPEB plan
Transfers
Total general revenues, special item and transfers

Change in net assets

Net assets - beginning

Prior period adjustment

Net assets - beginning as restated

Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government		Totals	
Governmental Activities	Business-type Activities	2011	2010
$(3,812,776)	$ -	$(3,812,776)	$(4,022,209)
(787,482)	-	(787,482)	(1,478,497)
(7,513,540)	-	(7,513,540)	(8,828,601)
(13,492,396)	-	(13,492,396)	(11,972,143)
(3,546,833)	-	(3,546,833)	(3,067,167)
(2,213,384)	-	(2,213,384)	(2,140,046)
(31,366,411)	-	(31,366,411)	(31,508,663)
-	3,542,894	3,542,894	1,277,821
-	339,525	339,525	560,140
-	3,882,419	3,882,419	1,837,961
(31,366,411)	3,882,419	(27,483,992)	(29,670,702)
13,968,871	-	13,968,871	13,714,212
9,060,295	-	9,060,295	9,531,017
3,405,709	-	3,405,709	3,278,385
663,291	-	663,291	557,129
211,364	-	211,364	223,205
131,541	55,527	187,068	168,154
34,355	-	34,355	34,631
44,797	3,317	48,114	88,737
451,896	-	451,896	229,001
-	-	-	1,107,322
2,336,631	(2,336,631)	-	-
30,308,750	(2,277,787)	28,030,963	28,931,793
(1,057,661)	1,604,632	546,971	(738,909)
29,740,453	29,117,240	58,857,693	59,596,602
(2,164,311)	-	(2,164,311)	-
27,576,142	29,117,240	56,693,382	59,596,602
$ 26,518,481	$ 30,721,872	$ 57,240,353	$ 58,857,693

CITY OF BEDFORD, TEXAS

BALANCE SHEETS

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2011 AND 2010

	General	Debt Service	Street Bond
ASSETS			
Cash and cash equivalents	$ 1,476,403	$ 1,211,103	$ 2,229,546
Receivables:			
Taxes, less allowance for uncollectible of $7,373	2,391,071	136,475	-
Accounts	939,799	177	20
Other	35,870	-	345,978
Due from other governments	112,790	-	-
Due from other funds	1,078,547	-	-
Inventories and prepaid expenditures	26,807	-	-
Advances to other funds	300,000	-	-
Total assets	$ 6,361,287	$ 1,347,755	$ 2,575,544
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 906,163	$ -	$ -
Due to other governments	5,150	-	-
Due to other funds	-	-	-
Escrow and deferred revenue	1,036,004	128,000	759,624
Total liabilities	1,947,317	128,000	759,624
Fund balances:			
Nonspendable:			
Advances to other funds	300,000	-	-
Inventories and prepaids	26,807	-	-
Restricted for:			
Debt service	-	1,219,755	-
Road improvements	-	-	1,815,920
Capital acquisition and construction	-	-	-
Economic development	-	-	-
Public safety	-	-	-
Parks and beautification	-	-	-
Other	-	-	-
Unassigned	4,087,163	-	-
Total fund balances	4,413,970	1,219,755	1,815,920
Total liabilities and fund balances	$ 6,361,287	$ 1,347,755	$ 2,575,544

The accompanying notes are an integral part of these financial statements.

Economic Development 4B	Nonmajor Governmental	Totals 2011	Totals 2010
$ 780,864	$ 3,942,172	$ 9,640,088	$ 11,700,338
416,869	-	2,944,415	2,850,001
471	2,921	943,388	302,143
-	119,762	501,610	658,289
-	1,098,095	1,210,885	2,062,808
-	-	1,078,547	1,769,429
-	-	26,807	36,227
-	-	300,000	300,000
$ 1,198,204	$ 5,162,950	$ 16,645,740	$ 19,679,235
$ 14,591	$ 262,096	$ 1,182,850	$ 3,465,474
-	-	5,150	12,554
-	1,078,547	1,078,547	1,769,429
-	10,284	1,933,912	1,349,959
14,591	1,350,927	4,200,459	6,597,416
-	-	300,000	300,000
-	-	26,807	36,227
-	-	1,219,755	1,240,869
-		1,815,920	1,788,117
-	3,254,958	3,254,958	1,269,203
1,183,613	-	1,183,613	2,079,019
-	625,514	625,514	819,389
-	83,481	83,481	87,667
-	52,482	52,482	21,746
-	(204,412)	3,882,751	5,439,582
1,183,613	3,812,023	12,445,281	13,081,819
$ 1,198,204	$ 5,162,950	$ 16,645,740	$ 19,679,235

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CITY OF BEDFORD, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

AS OF SEPTEMBER 30, 2011

Fund balances of governmental funds		$ 12,445,281
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		61,174,898
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	$ 311,124	
Court fine receivable	323,893	
Other	345,978	1,784,063
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	46,210,000	
Less: deferred issuance charges	(1,338,192)	
Less: deferred loss on debt issuance	(68,090)	
Plus: bond premium	1,415,644	
Accrued interest payable	362,876	
Compensated absences	2,082,796	
Other post employment benefits	220,727	(48,885,761)
Net assets of governmental activities		$ 26,518,481

The accompanying notes are an integral part of these financial statements.

CITY OF BEDFORD, TEXAS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	General	Debt Service	Street Bond
REVENUES			
Taxes, penalty and interest	$ 19,202,290	$ 5,192,111	$ -
Licenses and permits	521,463	-	-
Charges for services	2,505,240	-	-
Fines and forfeitures	1,451,436	-	-
Support from governmental entities	545,572	-	-
Interest	20,434	19,283	27,803
Miscellaneous	414,904	37,963	-
Total revenues	24,661,339	5,249,357	27,803
EXPENDITURES			
Current:			
General government	1,625,495	-	-
Community services	979,567	-	-
Public services	1,728,474	-	-
Administrative services	1,866,062	-	-
Public safety	16,349,974	-	-
Leisure services	3,768,063	-	-
Capital outlay	2,418,811	-	-
Debt service:			
Principal retirement	-	4,610,000	-
Interest and fiscal agent fees	-	2,137,463	-
Bond issuance costs	-	66,922	-
Total expenditures	28,736,446	6,814,385	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,075,107)	(1,565,028)	27,803
OTHER FINANCING SOURCES (USES)			
Transfers in	2,431,528	1,478,279	-
Transfers out	-	-	-
Issuance of debt	-	3,320,000	-
Premium on debt	-	58,725	-
Payment to refunded bond escrow agent	-	(3,313,090)	-
Sale of capital assets	44,797	-	-
Insurance proceeds	10,288	-	-
Total other financing sources and uses	2,486,613	1,543,914	-
NET CHANGE IN FUND BALANCES	(1,588,494)	(21,114)	27,803
FUND BALANCES, BEGINNING	6,002,464	1,240,869	1,788,117
FUND BALANCES, ENDING	$ 4,413,970	$ 1,219,755	$ 1,815,920

The accompanying notes are an integral part of these financial statements.

Economic Development 4B	Nonmajor Governmental	Totals 2011	Totals 2010
$ 2,265,074	$ 663,291	$ 27,322,766	$ 27,283,735
-	-	521,463	710,722
-	312,029	2,817,269	2,522,870
-	657,652	2,109,088	1,920,400
-	1,783,481	2,329,053	3,034,152
14,867	49,154	131,541	151,108
34,129	90,391	577,387	300,394
2,314,070	3,555,998	35,808,567	35,923,381
-	12,322	1,637,817	1,881,419
-	800,916	1,780,483	1,814,002
1,757,832	11,021	3,497,327	3,678,797
-	37,095	1,903,157	1,946,935
-	636,274	16,986,248	17,144,215
-	14,870	3,782,933	3,666,662
73,375	2,780,575	5,272,761	9,192,117
-	-	4,610,000	4,405,000
-	-	2,137,463	1,996,207
-	60,705	127,627	51,500
1,831,207	4,353,778	41,735,816	45,776,854
482,863	(797,780)	(5,927,249)	(9,853,473)
-	-	3,909,807	3,891,278
(1,378,269)	(194,907)	(1,573,176)	(1,804,811)
-	2,795,000	6,115,000	4,885,000
-	38,360	97,085	-
-	-	(3,313,090)	-
-	-	44,797	43,152
-	-	10,288	55,023
(1,378,269)	2,638,453	5,290,711	7,069,642
(895,406)	1,840,673	(636,538)	(2,783,831)
2,079,019	1,971,350	13,081,819	15,865,650
$ 1,183,613	$ 3,812,023	$ 12,445,281	$ 13,081,819

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CITY OF BEDFORD, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds		$(636,538)
Amounts reported for governmental activities in the Statement of Activities are		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital outlay	$ 5,231,451	
Asset deletions	-	
Depreciation expense	(7,816,767)	(2,585,316)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(13,236)	
Court fines receivable	51,685	
Ambulance receivable	660,358	698,807
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Issuance of bonds	(2,801,910)	
OPEB net pension obligation	(80,936)	
Principal repayments on bonds	4,610,000	1,727,154
Some expense reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences	(216,389)	
Accrued interest expense	26,375	(261,768)
Change in net assets of governmental activities		$(1,057,661)

The accompanying notes are an integral part of these financial statements.

CITY OF BEDFORD, TEXAS

STATEMENTS OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011 AND 2010

	Water and Sewer	Stormwater Utility	Totals 2011	Totals 2010
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,277,915	$ 4,395,326	$ 9,673,241	$ 2,824,412
Accounts receivable less allowance for uncollectible of $728,144	3,345,351	234,000	3,579,351	3,278,302
Prepaids and inventories	21,850	-	21,850	21,422
Deferred charges	154,805	71,791	226,596	56,300
Restricted assets - investments	-	-	-	687,996
Total current assets	8,799,921	4,701,117	13,501,038	6,868,432
Property, plant and equipment:				
Land	87,663	-	87,663	87,663
Buildings and improvements	518,600	-	518,600	518,600
Utility distribution	50,972,189	11,807,275	62,779,464	61,657,100
Construction in progress	545,058	4,191	549,249	205,206
Total property, plant and equipment	52,123,510	11,811,466	63,934,976	62,468,569
Less accumulated depreciation and amortization	(23,607,266)	(5,603,647)	(29,210,913)	(27,765,625)
Total long-term assets	28,516,244	6,207,819	34,724,063	34,702,944
Total assets	37,316,165	10,908,936	48,225,101	41,571,376
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,116,933	125,799	1,242,732	1,372,904
Compensated absences	32,616	1,401	34,017	31,326
Deferred revenue	-	2,041	2,041	2,041
Advances from other funds	-	300,000	300,000	300,000
Current maturities of bonds	473,044	145,350	618,394	385,000
Customer deposits	792,767	-	792,767	780,420
Total current liabilities	2,415,360	574,591	2,989,951	2,871,691
Long-term liabilities:				
Compensated absences	65,233	2,803	68,036	62,651
General obligation bonds	8,404,904	3,274,650	11,679,554	6,300,000
Revenue bonds	2,604,050	-	2,604,050	3,200,000
Premium on bonds payable	85,019	53,138	138,157	4,923
Other post employment benefits	20,400	3,081	23,481	14,871
Total long-term liabilities	11,179,606	3,333,672	14,513,278	9,582,445
Total liabilities	13,594,966	3,908,263	17,503,229	12,454,136
NET ASSETS				
Invested in capital assets, net of related debt	20,680,598	6,234,997	26,915,595	26,993,812
Restricted by bond ordinance	-	-	-	576,397
Unrestricted	3,040,601	765,676	3,806,277	1,547,031
Total net assets	23,721,199	7,000,673	30,721,872	29,117,240
Total liabilities and net assets	$ 37,316,165	$ 10,908,936	$ 48,225,101	$ 41,571,376

The accompanying notes are an integral part of these financial statements.

CITY OF BEDFORD, TEXAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Water and Sewer	Stormwater Utility	Totals 2011	Totals 2010
OPERATING REVENUES				
Water sales	$ 12,943,929	$ -	$ 12,943,929	$ 10,475,115
Charges for sewer services	5,884,928	-	5,884,928	5,364,676
Stormwater charges	-	1,260,285	1,260,285	1,261,249
Other	982,398	30,000	1,012,398	294,912
Total operating revenues	19,811,255	1,290,285	21,101,540	17,395,952
OPERATING EXPENSES				
Water supply and distribution	9,102,950	-	9,102,950	8,243,196
Wastewater collection and disposal	3,744,916	-	3,744,916	3,629,709
Billing and collection	1,149,980	658,812	1,808,792	1,583,852
Public services/engineering	554,722	-	554,722	560,172
Depreciation and amortization	1,261,401	269,036	1,530,437	1,426,157
Total operating expenses	15,813,969	927,848	16,741,817	15,443,086
OPERATING INCOME	3,997,286	362,437	4,359,723	1,952,866
NONOPERATING REVENUES (EXPENSES)				
Interest income	35,616	19,911	55,527	17,046
Gain on sale of capital assets	3,317	-	3,317	-
Interest expense and fiscal agent charges	(480,838)	(22,912)	(503,750)	(382,374)
Total nonoperating revenues (expenses)	(441,905)	(3,001)	(444,906)	(365,328)
INCOME BEFORE TRANSFERS	3,555,381	359,436	3,914,817	1,587,538
CAPITAL CONTRIBUTIONS	26,446	-	26,446	267,469
SPECIAL ITEM - CHANGE IN OPEB PLAN	-	-	-	112,282
TRANSFERS IN	112,945	-	112,945	217,493
TRANSFERS OUT	(2,057,276)	(392,300)	(2,449,576)	(2,303,960)
CHANGE IN NET ASSETS	1,637,496	(32,864)	1,604,632	(119,178)
TOTAL NET ASSETS, BEGINNING	22,083,703	7,033,537	29,117,240	29,236,418
TOTAL NET ASSETS, ENDING	$ 23,721,199	$ 7,000,673	$ 30,721,872	$ 29,117,240

The accompanying notes are an integral part of these financial statements.

CITY OF BEDFORD, TEXAS

STATEMENTS OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Water and Sewer	Stormwater Utility	Totals 2011	Totals 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 19,519,816	$ 1,293,022	$ 20,812,838	$ 16,938,551
Payments to suppliers	(12,702,529)	(303,502)	(13,006,031)	(12,249,965)
Payments to employees	(2,046,361)	(286,643)	(2,333,004)	(2,314,935)
Net cash provided by operating activities	4,783,846	703,697	5,487,543	2,373,651
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Special Item - Change in OPEB Plan	-	-	-	112,282
Transfers in	112,945	-	112,945	217,493
Transfers out	(2,057,276)	(392,300)	(2,449,576)	(2,303,960)
Net cash used by noncapital financing activities	(1,944,331)	(392,300)	(2,336,631)	(1,974,185)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Repayment of debt	(929,816)	-	(929,816)	(759,726)
Premium on debt	81,199	53,139	134,338	-
Payment to refunding agent	(2,567,553)	-	(2,567,553)	-
Proceeds from capital related debt	5,240,000	3,420,000	8,660,000	2,035,000
Interest and fiscal agent fees	(579,343)	(94,703)	(674,046)	(503,089)
Additions to property and equipment	(1,394,045)	(131,065)	(1,525,110)	(236,427)
Net cash provided (used) by capital and related financing activities	(149,558)	3,247,371	3,097,813	535,758
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	35,616	19,911	55,527	17,046
Maturity of investments	687,996	-	687,996	498,667
Net cash provided by investing activities	723,612	19,911	743,523	515,713
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,413,569	3,578,679	6,992,248	1,450,937
CASH AND CASH EQUIVALENTS, BEGINNING	2,007,765	816,647	1,858,604	1,858,604
CASH AND CASH EQUIVALENTS, ENDING	$ 5,421,334	$ 4,395,326	$ 9,816,660	$ 3,309,541

(continued)

CITY OF BEDFORD, TEXAS

STATEMENTS OF CASH FLOWS

PROPRIETARY FUNDS
(Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Water and Sewer	Stormwater Utility	Totals 2011	Totals 2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	$ 3,997,286	$ 362,437	$ 4,359,723	$ 1,519,139
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,261,401	269,035	1,530,436	1,325,445
(Increase) decrease in receivables	(303,786)	2,737	(301,049)	(91,066)
(Increase) decrease in prepaids and inventory	(428)	-	(428)	1,871
Increase (decrease) in accounts payable and accrued liabilities	(198,907)	68,735	(130,172)	(319,430)
Increase (decrease) in compensated absences	8,453	(377)	8,076	(15,689)
Increase (decrease) in other post employment benefits	7,480	1,130	8,610	112,282
Increase (decrease) in customer deposits	12,347	-	12,347	43,490
Net cash provided by operating activities	$ 4,783,846	$ 703,697	$ 5,487,543	$ 2,576,042
NONCASH ACTIVITY				
Contribution from developers	$ 26,446	$ -	$ 26,446	$ -

The accompanying notes are an integral part of these financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bedford, Texas (the "City") Home Rule Charter was adopted September 24, 1966. The City operates under a Council-Manager form of government and provides the following services by its charter: public safety, public works, health, culture, recreation, community development, and water and sewer utilities.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used. Significant policies of the City are described below.

A. Reporting Entity

Generally accepted accounting principles require that financial statements present the City (the primary government) and its component units. Component units are organizations for which the City 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. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. Based on these criteria, the following blended component unit is included in the accompanying financial statements. Blended component units, although legally separate entities are, in substance, part of the City's operations.

The City of Bedford Street Improvement Economic Development Corporation (EDC) is governed by a seven-member board appointed by the City Council. Although it is legally separate from the City, the EDC is reported as a Special Revenue Fund as if it were part of the primary government because its sole purpose is to operate, maintain, and finance the costs of the City's street improvements using taxes collected under Section 4B of the Development Corporation Act of 1979. Separate financial statements are not available.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements. However, interfund service provided and used is not eliminated in the process of consolidation on the government-wide statement of activities.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from Special Revenue Funds and the restrictions on their net asset use.

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.

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, sales taxes, franchise taxes, special assessments, fines, interest and charges for services. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The ***Debt Service Fund*** is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

The ***Street Bond Capital Projects Fund*** is used to account for construction of improvements to streets, street related drainage and sidewalks.

The ***Economic Development 4B Special Revenue Fund*** is used to account for revenues and expenses associated with the operation, maintenance, and financing of the costs of the City's street improvements.

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year-end.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's policy is to apply all Financial Accounting Standards Board standards issued after November 30, 1989, to its proprietary funds unless they conflict with GASB guidance.

The City reports the following proprietary funds:

The ***Water and Sewer Fund*** accounts for providing water and sewer services to residential and commercial users in the City.

The ***Stormwater Utility Fund*** accounts for the storm drainage runoff service provided to the residential and commercial users of the City.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

For purposes of reporting cash flows, the Enterprise Funds consider cash and unrestricted investments in local government investment pools as cash and cash equivalents at September 30, 2011. The City reports cash and investments at fair value.

2. Fair Value of Financial Instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

3. Accounts Receivable

Accounts receivable consist primarily of amounts due from citizens for various services provided by the City as well as property taxes and sales taxes receivable. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts and other specific information known to management that may affect collectibility.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Inventories

Inventories in the general and proprietary fund types are carried at cost (first-in, first-out method). The City uses the consumption method for determining cost; inventories are recognized as expenditures when consumed.

5. Impairment of Long-lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported as the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure such as roads, bridges, drainage systems and lighting systems, are reported at historical cost. Contributed assets are recorded at their estimated fair value as of the date received. Depreciation is provided on a straight-line basis over the estimated useful life of the assets as follows:

Assets	Years
Buildings	20 - 40
Infrastructure	20 - 30
Water and sewer system	50
Improvements	10 - 20
Machinery and equipment	3 - 10

Interest expense is capitalized on contracts with durations over one year in the proprietary funds.

The minimum capitalization threshold is any item with a total cost greater than $5,000.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service from the City.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay only if the compensated absences have matured with unused reimbursable leave outstanding following an employee's resignation or retirement. Vested or accumulated vacation leave within proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

8. Interfund Transactions

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. There is no interest charged between funds for these advances.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The net assets of the Tourism Development Fund and the Economic Development 4B Fund are restricted by enabling legislation as indicated on the Statement of Net Assets.

The City's policy is to use restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Fund Balance Classification (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

11. Prior Year Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements as of and for the year ended September 30, 2010, from which the summarized information was derived.

12. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

The Tourism Development Fund had a deficit fund balance of $204,412 as of September 30, 2011. The City plans for future revenues of the fund to cover the current deficit.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The cash and investment policies of the City are governed by State Statutes and the adopted City Investment Policy. City policies governing bank deposits require depositories to be FDIC-insured institutions, and depositories must fully collateralize all deposits in excess of FDIC insurance limits.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Investments

At September 30, 2011, the City's investments were registered or held by the City or its agent in the City's name.

The City's investments follow:

Investment Type	Fair Value	Weighted Average Maturity (Days)
TexPool	$ 143,419	48
TexStar	11,489,675	46
TexasDAILY	1,543,608	50
Lone Star Investment Public Pool	95,197	38
Total	$ 13,271,899	

The City's investments and cash equivalents at September 30, 2011, are held by the following investment pools:

Investment Type	Standard & Poor's Credit Rating
TexPool	AAAm
TexStar	AAAm
TexasDAILY	AAAm
Lone Star Investment Pool Liquidity Plus Fund	AAAm

All of the pools are chartered by the State of Texas. Portfolios consist only of those investments that are authorized by the State of Texas Public Funds Investment Act and the City's investment policy. Although there is no regulatory oversight over TexStar and TexasDAILY, advisory boards consisting of participants and their designees maintain oversight responsibility for the investment pools. Assets held in the investment pools are carried at fair value, which is the same as the value of the pool shares of the external investment pools.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Investments (Continued)

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by investing operating funds primarily in short-term securities, money market mutual funds or similar investment pools. Furthermore, unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the date of purchase.

Credit Risk. It is the City's policy to follow statutes, which authorize the City to invest in obligations of the U. S. Treasury agencies and instrumentalities, obligations of the State of Texas and related agencies, obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by Standard & Poor's Corporation or Moody's, repurchase agreements and designated investment pools. The City's assets in investment pools meet this requirement as noted above.

Custodial Credit Risk – Investments. In accordance with its investment policy, the City minimizes custodial credit risk by limiting investments to the safest types of investment vehicles, prequalifying the financial institutions, brokers/dealers, intermediaries and advisers with which the City will do business and diversifying the investment portfolio so that potential losses on individual investments will be minimized. Currently, all investments are registered in the City's name.

Custodial Credit Risk – Deposits. The City's deposits do not have any exposure to credit risk because all deposits in financial institutions are fully collateralized by U. S. government obligations or obligations of the State of Texas and its agencies that have a value of not less than the principal amount of the deposits. The collateral is held by a third party custodial bank as the City's agent.

Concentration of Credit Risk. The City's cash assets at banking institutions are not exposed to credit risk as they are collateralized by securities held in the City's name by a pledging financial institution. As noted above, the City's investments are distributed into a variety of allowable investment vehicles. Management does not believe there is a significant risk of loss due to the credit rating and nature of the investments.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds					Enterprise Funds		
	General	Debt Service	Street Bond	Economic Development	Nonmajor Governmental	Water and Sewer	Stormwater Utility	Total
Receivables:								
Taxes:								
Delinquent property taxes	$ 201,836	$ 139,488	$ -	$ -	$ -	$ -	$ -	$ 341,324
Sales taxes	1,250,607	-	-	416,869	-	-	-	1,667,476
Franchise	899,474	-	-	-	-	-	-	899,474
Other	43,514	-	-	-	-	-	-	43,514
Accounts	939,799	177	20	471	2,921	4,073,495	234,000	5,250,883
Other	35,870	-	345,978	-	119,762	-	-	501,610
Intergovernmental	112,790	-	-	-	1,098,095	-	-	1,210,885
Gross receivables	3,483,890	139,665	345,998	417,340	1,220,778	4,073,495	234,000	9,915,166
Less: allowance for uncollectibles	(4,360)	(3,013)	-	-	-	(728,144)	-	(735,517)
Net total receivables	$ 3,479,530	$ 136,652	$ 345,998	$ 417,340	$ 1,220,778	$ 3,345,351	$ 234,000	$ 9,179,649

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	$ 183,124	$ -
Delinquent property taxes receivable (Debt Service Fund)	128,000	-
Delinquent ambulance receivable (General Fund)	803,068	-
Street and drainage assessments receivable (Street Bond)	345,978	-
Escrow (General Fund)	-	29,176
Escrow (Street Bond)	-	413,646
Cash bonds - deferred adjudication (General Fund)	-	20,636
Rental fees (Nonmajor governmental)	-	10,284
Total deferred/unearned revenue for governmental funds	$ 1,460,170	$ 473,742

C. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property and personal business property located in the City. The assessed value upon which the fiscal 2011 levy was based was $2,909,091,609. The appraisal function is performed by the Tarrant County Appraisal District.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Tax (Continued)

General property taxes are limited by the Texas Constitution to $2.50 per $100 of assessed valuation and by Home Rule Charter to $1.50 per $100 of assessed valuation for general governmental services and payment of principal and interest on long-term debt. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2011, was $.491609 per $100 of assessed valuation.

Taxes are due by January 31 following the levy date. Current tax collection for the year ended September 30, 2011, was 99% of the tax levy.

Uncollected property taxes levied for the current fiscal year are recognized as receivables, and are deemed collectible in full.

D. Interfund Transfers

Interfund transfers are payments between funds that are designed to cover various operating and overhead expenses and to allocate charges for services performed by one fund on behalf of another fund.

Individual fund transfers for the year ended September 30, 2011, were:

	Transfer In			
	General	Debt Service	Water and Sewer	Total
Transfer out:				
General fund	$ -	$ -	$ -	$ -
Economic development	-	1,378,269	-	1,378,269
Nonmajor government	94,897	100,010	-	194,907
Water and sewer	2,057,276	-	-	2,057,276
Stormwater utility	279,355	-	112,945	392,300
Total transfers out	$ 2,431,528	$ 1,478,279	$ 112,945	$ 4,022,752

E. Interfund Assets/Liabilities

Interfund balances reflect payments made by one fund on behalf of another fund for which cash settlement has not been made as of the end of the accounting period. Amounts due to and from other funds will be settled within the next accounting period. Management has no current intention of repaying the advance to the Stormwater Utility Enterprise Fund in the immediate future.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Assets/Liabilities (Continued)

The composition of interfund balances as of September 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount
General	Special revenue fund:	
	Tourism development (nonmajor fund)	$ 189,727
	Various grants fund (nonmajor fund)	888,820
Total governmental		$ 1,078,547

Interfund balances from all the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid within one year or less.

Individual fund interfund receivable and payable balances at September 30, 2011, are:

Advances:	Advances to Other Funds	Advances from Other Funds
General fund	$ 300,000	$ -
Stormwater utility enterprise fund	-	300,000
	$ 300,000	$ 300,000

The advances between the General Fund and Stormwater Utility Fund are the result of the General Fund lending funds to cover start-up operating costs to the Stormwater Utility Fund.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital Assets

The following table summarizes changes in capital assets during the year ended September 30, 2011:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 7,508,899	$ 2,444	$ -	$ -	$ 7,511,343
Construction in progress	10,494,504	4,479,210	-	(12,426,211)	2,547,503
Total assets not being depreciated	18,003,403	4,481,654	-	(12,426,211)	10,058,846
Capital assets, being depreciated:					
Buildings	13,686,068	-	-	11,569,722	25,255,790
Equipment	22,197,100	698,154	(245,037)	856,489	23,506,706
Improvements other than buildings	121,121,918	51,643	-	-	121,173,561
Total capital assets being depreciated	157,005,086	749,797	(245,037)	12,426,211	169,936,057
Less accumulated depreciation:					
Buildings	(8,080,422)	(834,817)	-	-	(8,915,239)
Equipment	(19,479,466)	(1,195,233)	245,037	-	(20,429,662)
Improvements other than buildings	(83,688,387)	(5,786,717)	-	-	(89,475,104)
Total accumulated depreciation	(111,248,275)	(7,816,767)	245,037	-	(118,820,005)
Total capital assets being depreciated, net	45,756,811	(7,066,970)	-	12,426,211	51,116,052
Governmental activities capital assets, net	$ 63,760,214	$(2,585,316)	$ -	$ -	$ 61,174,898
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 87,663	$ -	$ -	$ -	$ 87,663
Construction in progress	205,206	437,878	-	(93,835)	549,249
Total assets not being depreciated	292,869	437,878	-	(93,835)	636,912
Capital assets, being depreciated:					
Buildings	518,600	-	-	-	518,600
Utility distribution	61,657,100	1,113,679	(85,150)	93,835	62,779,464
Total capital assets being depreciated	62,175,700	1,113,679	(85,150)	93,835	63,298,064
Less accumulated depreciation:					
Buildings	(503,504)	(15,097)	-	-	(518,601)
Utility distribution	(27,262,121)	(1,515,340)	85,149	-	(28,692,312)
Total accumulated depreciation	(27,765,625)	(1,530,437)	85,149	-	(29,210,913)
Total capital assets being depreciated, net	34,410,075	(416,758)	(1)	93,835	34,087,151
Business-type activities capital assets, net	$ 34,702,944	$ 21,120	$(1)	$ -	$ 34,724,063

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 262,819
Community services	69,662
Public services	5,369,760
Public safety	1,136,585
Leisure services	952,166
Administrative services	25,775
Total depreciation expense - governmental activities	$ 7,816,767
Business-type activities:	
Water and sewer	$ 1,261,401
Stormwater collection and disposal	269,036
Total depreciation expense - business-type activities	$ 1,530,437

G. Long-Term Debt

The following is a summary of the debt transactions of the City for the year ended September 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
General obligation bonds	$ 47,575,000	$ 6,115,000	$ 7,670,000	$ 46,020,000	$ 4,996,606
Premium on debt	1,460,638	97,085	142,079	1,415,644	150,485
Deferred loss on refunding	-	(68,090)	-	(68,090)	(6,190)
Tax notes	375,000	-	185,000	190,000	190,000
Compensated absences	1,866,407	1,751,452	1,535,063	2,082,796	694,265
Other post-employment benefits	139,791	80,936	-	220,727	-
Governmental activities long-term liabilities	$ 51,416,836	$ 7,976,383	$ 9,532,142	$ 49,861,077	$ 6,025,166
Business-type activities					
Certificates of obligation	$ 6,490,000	$ 4,510,000	$ 190,000	$ 10,810,000	$ 442,071
Revenue bonds	3,395,000	4,150,000	3,395,000	4,150,000	176,323
Premium on debt	4,923	134,338	1,103	138,158	-
Deferred loss on refunding	-	(58,002)	-	(58,002)	-
Compensated absences	93,977	184,607	176,532	102,052	34,017
Other post-employment benefits	14,871	8,610	-	23,481	-
Business-type activities long-term liabilities	$ 9,998,771	$ 8,929,553	$ 3,762,635	$ 15,165,689	$ 652,411

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Governmental long-term debt consists of the following individual issues at September 30, 2011:

Series	Original Issue	Interest Rate	Debt Outstanding
General Obligation Bonds:			
Series 2002 General Obligation Refunding Bonds (issued in conjunction with business-type debt)	$ 9,265,000	3.5% to 5.0%	$ 1,580,000
Series 2003 General Obligation Refunding Bonds (issued in conjunction with business-type debt)	5,765,000	2.0% to 3.7%	680,000
Series 2004 General Obligation Refunding Bonds	12,350,000	2.4% to 5.0%	7,355,000
Series 2005 General Obligation Refunding Bonds	28,600,000	3.25% to 5.0%	21,985,000
Series 2007 General Obligation Bonds	4,000,000	3.875% to 4.875%	3,440,000
Series 2010 General Obligation Bonds	4,885,000	5.00% to 2.50%	4,865,000
Series 2011 General Obligation Refunding and Improvement Bonds	8,185,000	2.00% to 4.375%	3,675,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	6,590,000	2.00% to 4.375%	2,440,000
Total General Obligation Bonds			46,020,000
Tax Notes:			
Series 2005 Tax Note	1,025,000	3.25% to 3.5%	190,000
Compensated Absences			2,082,796
Other Post-employment Benefits			220,727

Business-type long-term debt consists of the following individual issues at September 30, 2011:

Series	Original Issue	Interest Rate	Debt Outstanding
Certificates of Obligation:			
Series 2007 Certificates of Obligation	$ 4,975,000	3.875% to 4.25%	$ 4,275,000
Series 2010 Certificate of Obligation	2,035,000	3.0% to 4.125%	2,025,000
Series 2011 Certificate of Obligation Refunding and Improvement Bonds	8,185,000	2.0% to 4.375%	4,510,000
Total Certificates of Obligation			10,810,000
Revenue Bonds:			
Series 2011 Combination Tax and Revenue Certificates of Obliation	6,590,000	2.00% to 4.375%	4,150,000
Total Revenue Bonds			4,150,000
Compensated Absences			102,052
Other Post-employment Benefits			23,481

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The annual debt service requirements to amortize the bonds, certificates of obligation, contractual obligations and tax notes outstanding at September 30, 2011, follows:

Governmental Activities:

Fiscal Year Ending September 30,	General Obligation Bonds	Tax Notes	Interest	Total
2012	$ 4,996,622	$ 190,000	$ 1,863,998	$ 7,050,620
2013	4,947,896	-	1,668,814	6,616,710
2014	5,000,186	-	1,457,635	6,457,821
2015	5,192,431	-	1,223,474	6,415,905
2016	5,108,262	-	989,945	6,098,207
2017-2021	13,167,610	-	2,466,573	15,634,183
2022-2026	4,895,157	-	1,013,986	5,909,143
2027-2031	2,711,836	-	234,704	2,946,540
	$ 46,020,000	$ 190,000	$ 10,919,129	$ 57,129,129

Business-type Activities:

Fiscal Year Ending September 30,	Certificates of Obligation	Revenue Bonds	Interest	Total
2012	$ 426,320	$ 192,059	$ 443,030	$ 1,061,409
2013	595,600	201,504	418,040	1,215,144
2014	618,865	210,950	398,721	1,228,536
2015	631,620	210,950	378,772	1,221,342
2016	657,640	214,098	358,229	1,229,967
2017-2021	3,403,000	1,174,390	1,399,694	5,977,084
2022-2026	3,064,560	875,283	732,858	4,672,701
2027-2031	1,412,395	1,070,766	170,770	2,653,931
	$ 10,810,000	$ 4,150,000	$ 4,300,114	$ 19,260,114

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Advance Refunding of Debt

The City issued $8,185,000 of general obligation refunding and improvement bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $3,245,000 of general obligation bonds and $3,200,000 of water and sewer revenue supported bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities and business-type activities columns of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $126,092. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by $1,421,716 and resulted in an economic gain of $1,126,416. An additional $355,000 of tax supported bonds were issued in the Capital Projects fund to fund construction projects for the City, as well as $2,710,000 of debt issued for construction projects in the Stormwater Drainage Fund. The $2,710.000 of debt was supported by future Stormwater Drainage revenues.

According to GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2011, outstanding balances of bond issues that have been refunded and defeased in substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments total $34,725,000.

The ordinances authorizing the issuance of water and sewer system revenue bonds created the Interest and Sinking Trust Account, Reserve Trust Account and Repair and Replacement Trust Account. At September 30, 2010, the City had adequate amounts accumulated and included in restricted assets to comply with the bond ordinances.

The General Fund and Tourism Fund have been used to liquidate the governmental fund liability for compensated absences.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Employees' Retirement System

Texas Municipal Retirement System (Continued)

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2011	Plan Year 2010
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0%of CPI	0%of CPI

2. Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Employees' Retirement System (Continued)

Texas Municipal Retirement System (Continued)

2. Contributions (Continued)

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Year	Annual Required Contribution (a)	Interest on Net Pension Obligation (b)	Adjustment to the ARC (c)	Annual Pension Cost (APC) (d) (a)+(b)+(c)	Actual Contribution Made (e)	Percentage of APC (f) (e) / (d)	Net Pension Obligation/ (Asset) (g) (a) - (e)
09/30/10	$ 1,024,167	$ -	$ -	$ 1,024,167	$ 1,024,167	100.0%	$ -
09/30/11	1,282,457	-	-	1,282,457	1,282,457	100.0%	-

Only two years of data are available for the City's calculation of annual pension costs and net pension obligation because the City only began participating in TMRS in fiscal year 2010.

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Date	12/31/09	12/31/10 - Prior to restructuring	12/31/10 Restructured
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	25.1 years; closed period	24.0 years; closed period	24.1 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment rate of return*	7.5%	7.5%	7%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Employees' Retirement System (Continued)

Texas Municipal Retirement System (Continued)

3. Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS City rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/09	$ 320,805	$ 8,653,917	3.7%	$ 8,333,114	$ 2,866,929	290.7%
12/31/10 [1]	2,378,268	11,372,548	20.9%	8,994,280	18,787,516	47.9%
12/31/10 [2]	2,424,829	13,872,080	17.5%	11,447,251	18,787,516	60.9%

[1] Actuarial valuation performed under original fund structure.
[2] Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits. Currently, only two years of this trend data is available as the City only began contributing to TMRS in fiscal year 2010.

(continued)

I. Postemployment Health Care Plan

1. Plan Description and Funding Policy

Starting January 1, 2010, the City began requiring participants who are active employees with less than 20 years of service or 60 years or more of age with less than 5 years of service to contribute an age-based full-cost premium if they choose to remain on the City's health care plan upon retirement. In return, the City will make scheduled annual contributions into a Retiree Health Savings Plan in the name of each eligible employee who has 10 years of service or more. Employees are 50% vested at 20 years of service and 100% vested at 30 years of service.

Under provisions of GASB Statement 45, employees who will be required to contribute the full age based cost of coverage for the City's Health Plan do not receive an Other Postemployment Benefit.

Retiring employees will pay either age based or blended premiums depending on their status as "grandfathered" or "non-grandfathered." Blended premiums blend the cost of providing health coverage to both active employees and retirees, and will be based on the total employer/employee premium for the health plan as a whole, and will be determined annually during the budget process.

a. Grandfathered Employees

As of January 1, 2010, employees that have 20 years of continuous service with the City or employees having 5 years of continuous service and have reached the age of 60 will be eligible to purchase City health benefits at blended rates upon the date of their retirement if they are less than age 65. Employees who meet the requirements to stay on the plan will continue to pay both employee and employer required contributions for the retiree health plan chosen for themselves and eligible dependents. Employer and employee required contributions are determined annually by plan as part of the City's annual budget. If the spouse or eligible dependents are on the plan at the time of the employee's retirement, they can remain on the plan, until which time they are no longer eligible.

b. Non-Grandfathered Employees

Employees who do not meet the eligibility requirements to stay on the plan will pay age based premiums for the retiree health plan chosen for themselves and eligible dependents. These employees will participate in the City's Retiree Health Savings plan.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Postemployment Health Care Plan (Continued)

2. Policy Information

a. Retiree Health Plan Benefit Eligibility

To be eligible for retiree health benefits employees must meet the following criteria:

- Any employee who is covered under the City's health plan at the effective date of (the employee's) retirement, who is less than age 65, and who meets the "retiree" definition (as described below) may elect to continue health insurance coverage under the plan.

- Employees who are eligible and elect to stay on the plan will be required to begin paying monthly premiums immediately upon retirement.

- Employees eligible for retiree health insurance may also continue coverage for any dependents following the employee's retirement, provided the dependents were covered under the employee's health insurance as of the effective date of the employee's retirement and the appropriate enrollment forms are completed with thirty (30) days of retirement. Anyone electing this coverage must meet all of the eligibility rules of the plan.

  NOTE: When a covered retiree's spouse is employed at the time the City of Bedford employee retires, an exception to this policy may be made. The spouse may elect coverage under the City's health plan if the spouse's employment ends or the spouse's employer discontinues coverage.

- Dependents who are covered under the retiree's health insurance at the time of the retiree's death may continue coverage as follows: (a) The spouse may continue coverage following the death of the retiree until such time as the spouse remarries, dies or reaches age 65, (b) any other eligible dependent(s), as defined by the City's self-funded plan, may continue to be covered under retiree health insurance as long as all eligibility requirements of the City's plan are met.

b. Retiree Health Plan Benefit Coverage

Retirees are able to maintain retiree coverage through the City until they reach age 65 (see section below). Retirees cannot drop the City's plan and re-elect retiree benefits at a later date unless they become re-employed by the City of Bedford. If this is the case, they must re-enroll into the City's retiree insurance program within 30 days of the termination from the City's re-employment.

- Retirees are able to choose from and elect the same plans offered to active employees during open enrollment each year until they reach age 65.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Postemployment Health Care Plan (Continued)

2. Policy Information (Continued)

b. Retiree Health Plan Benefit Coverage (Continued)

- Retirees who decide to elect the City's retiree health benefits will pay either age based on blended premiums depending on their status as "grandfathered" or "non-grandfathered."

- Blended premiums blend the cost of providing health coverage to both active employees and retirees, will be based on the total employer/employee premium for the health plan as a whole, and will be determined annually during the budget process.

c. Retirees Age 65 or Older

Effective January 1, 2010, retirees who are Medicare eligible or age 65 or older will have access to a more cost effective and comparable Medicare Supplement or Medicare Advantage Plan and will no longer have access to the City's health plan. Retirees will continue to have access to the City's dental plan.

- Retirees who choose to obtain coverage elsewhere may later elect one of the City's Medicare Supplement or Medicare Advantage plans when they become eligible for Medicare.

- Retirees' dependents who are under 65 years of age will be able to maintain coverage through the City's health plan. Once a dependent reaches age 65, she will no longer be able to access the City's health plan, but will be able to select either the Medicare Supplement or Medicare Advantage plan which is less expensive than the current retiree premiums and is comparable to or offers a richer benefit than the City's health plan.

- If the employee is 65 years of age or older, but is not Medicare eligible, the City will evaluate the cost of Medicare Part A premiums each year and determine whether the City will reimburse the employee for the purchase of Medicare Part A (on behalf of the retiree or whether to allow the retiree to pay the premium to stay on the City's health plan). Retirees in this situation will be notified of this determination at the end of each year for the following plan year.

3. Applicability

This policy applies to all regular fulltime employees.

4. Definitions

Retiree – is defined as an employee who has effected retirement with the City of Bedford and is eligible to retire according to the City's pension plan guidelines.

(continued)

I. Postemployment Health Care Plan (Continued)

5. Policy Authority

The City of Bedford City Council authorizes this policy. The City's management team and Human Resources are responsible for interpreting and enforcing this policy.

6. Implementation Procedures

Employees eligible for retiree health insurance will be given written notification from Human Resources explaining their eligibility to elect retiree health insurance, the applicable premium rates for the type of coverage(s) they are eligible to continue, and the procedures the employee must follow in order to elect retiree health insurance. They will also be given an election form on which to make their health insurance elections.

Employees eligible for retiree health insurance must complete the retiree health insurance election form and remit the appropriate premium payment as outlined in the retiree medical information packet within thirty (30) days following the effective date of the employee's retirement; otherwise, the retiree will automatically forfeit his/her right to continue health insurance under this policy, except as provided by federal law.

Retirees who are not age 65 and who are eligible for and elect retiree coverage through the City will receive notification from the City's Human Resources Department of the discontinuation of their retiree coverage along with enrollment information for the Medicare Supplement and Medicare Advantage plans upon turning age 65.

a. Termination of Retiree Health Plan Coverage

Retiree health insurance will automatically terminate for the retiree and/or covered dependents upon the earliest of the following occurrences:

- The City of Bedford ceases to provide group health insurance
- Retiree/retiree's dependent(s) fail to remit the monthly premium payment to the City's Human Resources Department by the last day of each month.
- The retiree returns to active employment status with the City of Bedford and becomes covered under a City sponsored health plan.
- Dependent(s) of the retiree cease to meet the eligibility requirements of the City's medical plan.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Postemployment Health Care Plan (Continued)

7. Annual OPEB Cost and Net OPEB Obligation

a. Annual OPEB Cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	$ 181,392
Interest on Net OPEB Obligation	6,960
Adjustment to the ARC	(6,448)
Annual OPEB Cost	181,904
Employer Contributions with Interest	(92,358)
Increase (Decrease) in Net OPEB Obligation	89,546
Net OPEB Obligation, beginning of year	154,662
Net OPEB Obligation, end of year	$ 244,208

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and Projected Unit Credit Cost method).

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/10	$ 176,109	$ 21,447	12%	$ 154,662
9/30/11	181,392	92,358	51%	244,208

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll
11/30/10	$ -	$ 2,467,613	$ 2,467,613	- %	$ 16,465,708

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Postemployment Health Care Plan (Continued)

7. Annual OPEB Cost and Net OPEB Obligation (Continued)

a. Annual OPEB Cost (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

b. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2011, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after a number of years. Both rates include a 3.0 percent inflation assumption. The actuarial value of the plan's assets was set equal to the reported market value of assets. The assets are allocated among the divisions based on liabilities valued at 4.5%. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2011, was 30 years.

c. Additional Information

The City does not issue separate financial statements for the OPEB plan. Additionally, multi-year trend information is not available for the plan as the current plan only became effective on January 1, 2010.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Commitments and Contingencies

1. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (the "Risk Pool") to provide insurance for workers' compensation benefits, liability and property coverage.

At September 30, 2011, the Risk Pool was self-sustaining based on premiums charged, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience. The City is not liable for payments beyond the annual contributions.

The Risk Pool has purchased stop-loss coverage to protect the assets of the pool from catastrophic losses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, and there have been no significant reductions in insurance coverage during the current year.

2. Contracts

In 1972, the City entered into a contract with the Trinity River Authority ("TRA") for the purchase of water. The contract is in effect for a period of 35 years from the date the Authority began receiving water from the Tarrant Water District (which was in 1974) and shall continue in effect until all bonds, including refunding bonds, have been paid. Under the terms of the contract, the City is obligated to pay its proportional share of operating and maintenance expenses and debt service charges by the TRA based on the ratio of estimated water usage for the ensuing year to the total estimated water usage. Total purchases in fiscal 2011 were approximately $7,990,570.

In 1973, the City entered into a 50-year contract with the TRA for the transportation, treatment and disposal of sanitary sewage actually discharged and to share in the cost of operation and maintenance of the system. Total payments of approximately $3,227,003 were made in fiscal 2011.

3. Litigation

Various claims and lawsuits are pending against the City. In the opinion of the City's legal counsel and management, the potential loss on all claims after insurance will not be significant to the City's financial statements.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Commitments and Contingencies (Continued)

4. State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed costs, if any, should not be material.

K. Change in Accounting Principles

For fiscal year 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the City reclassifying fund balances of its governmental funds.

L. Prior Period Adjustment

In prior years, net court fines receivable have been overstated in the governmental funds in the government-wide financial statements. Accordingly, beginning net assets have been decreased by the amount of this restatement, $2,164,311.

REQUIRED
SUPPLEMENTAL INFORMATION

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GENERAL FUND

The ***General Fund*** accounts for the resources used to finance the fundamental operations of the City. It is the basic fund of the City and covers all activities for which a separate fund has not been established.

CITY OF BEDFORD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes, penalty and interest	$ 19,628,067	$ 19,628,067	$ 19,202,290	$(425,777)
Licenses and permits	610,000	610,000	521,463	(88,537)
Charges for services	2,578,506	2,578,506	2,505,240	(73,266)
Fines and forfeitures	1,261,900	1,261,900	1,451,436	189,536
Support from other governmental entities	544,213	544,213	545,572	1,359
Interest	60,200	60,200	20,434	(39,766)
Miscellaneous	200,100	200,100	414,904	214,804
Total revenues	24,882,986	24,882,986	24,661,339	(221,647)
EXPENDITURES				
General government:				
City council	103,803	103,803	94,753	9,050
City manager	409,010	409,010	401,575	7,435
City secretary	214,024	214,024	205,758	8,266
Information systems	658,596	658,596	638,161	20,435
Human resources	300,211	300,211	285,248	14,963
Total general government	1,685,644	1,685,644	1,625,495	60,149
Community services:				
Economic development	158,605	158,605	140,201	18,404
Planning and zoning	360,856	360,856	336,742	24,114
Inspections	544,148	544,148	502,624	41,524
Total community services	1,063,609	1,063,609	979,567	84,042
Public services:				
Facilities maintenance	623,126	623,126	521,643	101,483
Maintenance services	250,529	250,529	251,309	(780)
Streets	1,020,138	1,020,138	955,522	64,616
Total public services	1,893,793	1,893,793	1,728,474	165,319
Administrative services:				
Finance	519,062	519,062	522,172	(3,110)
Nondepartmental	794,330	794,330	630,027	164,303
Municipal court	532,313	532,313	544,482	(12,169)
Teen court	162,484	162,484	169,381	(6,897)
Total administrative services	2,008,189	2,008,189	1,866,062	142,127

(continued)

CITY OF BEDFORD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)

GENERAL FUND
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Public safety:				
Administration	$ 783,206	$ 783,206	$ 1,211,349	$(428,143)
Animal control	345,770	345,770	353,012	(7,242)
Criminal investigation division	1,433,126	1,433,126	1,472,792	(39,666)
Community services	797,993	797,993	785,835	12,158
SWAT	18,660	18,660	16,601	2,059
Patrol	4,430,924	4,430,924	4,348,995	81,929
Traffic	580,368	580,368	517,904	62,464
Dispatch	674,427	674,427	652,392	22,035
Jail	825,430	825,430	804,389	21,041
Records	381,711	381,711	371,426	10,285
Fire operations	6,310,659	6,310,659	5,815,279	495,380
Total public safety	16,582,274	16,582,274	16,349,974	232,300
Leisure services:				
Library	1,180,399	1,180,399	1,095,745	84,654
Parks	1,167,195	1,167,195	1,137,702	29,493
Recreation	810,485	810,485	774,224	36,261
Senior citizens	224,387	224,387	214,531	9,856
Splash	409,758	409,758	545,861	(136,103)
Total leisure services	3,792,224	3,792,224	3,768,063	24,161
Capital outlay	418,627	418,627	2,418,811	(2,000,184)
Total expenditures	27,444,360	27,444,360	28,736,446	(1,292,086)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,561,374)	(2,561,374)	(4,075,107)	(1,513,733)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,269,716	2,269,716	2,431,528	161,812
Sale of capital asset	1,500	1,500	44,797	43,297
Insurance proceeds	7,500	7,500	10,288	2,788
Total other financing sources and uses	2,278,716	2,278,716	2,486,613	207,897
NET CHANGE IN FUND BALANCES	(282,658)	(282,658)	(1,588,494)	(1,305,836)
FUND BALANCES, BEGINNING	6,002,464	6,002,464	6,002,464	-
FUND BALANCES, ENDING	$ 5,719,806	$ 5,719,806	$ 4,413,970	$(1,305,836)

CITY OF BEDFORD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)

SPECIAL REVENUE FUND

ECONOMIC DEVELOPMENT 4B

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes, penalty and interest	$ 2,400,000	$ 2,400,000	$ 2,265,074	$(134,926)
Interest	17,500	17,500	14,867	(2,633)
Total revenues	2,417,500	2,417,500	2,314,070	(103,430)
EXPENDITURES				
Current:				
Public services	1,106,790	1,106,790	1,757,832	(651,042)
Capital outlay	80,600	80,600	73,375	7,225
Total expenditures	1,187,390	1,187,390	1,831,207	(643,817)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,230,110	1,230,110	482,863	(747,247)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,378,269)	(1,378,269)	(1,378,269)	-
Total other financing sources and uses	(1,378,269)	(1,378,269)	(1,378,269)	-
NET CHANGE IN FUND BALANCES	(148,159)	(148,159)	(895,406)	(747,247)
FUND BALANCES, BEGINNING	2,079,019	2,079,019	2,079,019	-
FUND BALANCES, ENDING	$ 1,930,860	$ 1,930,860	$ 1,183,613	$(747,247)

1. BUDGETARY INFORMATION

Annual budgets are adopted for the General, Debt Service, Court Security, Drug Forfeiture, Tourism Development, Park Donation, Beautification Commission, Economic Development, and Police Training funds using the modified accrual basis of accounting.

The City Council follows these procedures in establishing budgetary data reflected in the financial statements:

a) Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

b) Public hearings are conducted to obtain taxpayer comments.

c) Prior to September 30, the budget is legally enacted through passage of an ordinance.

d) The City Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City council after public hearings.

e) Midyear budget revisions are made based on revised revenue projections and/or expenditure adjustments. The budget was amended during the year.

f) All unexpended appropriations lapse at year-end.

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COMBINING FUND
STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Miscellaneous Donations Fund – This fund is used to account for miscellaneous designated contributions from citizens and other governments.

Court Security Fund – This fund accounts for monies collected under State Statute designated to provide security for the Municipal Court facilities.

Court Technology Fund – This fund is used for monies collected under State Statute designed to provide increased technology for the Municipal Court facilities.

Park Donation Fund – This fund is used for contributions from citizens designated for park improvements.

Drug Forfeiture Fund – This fund accounts for monies received from participation in federal drug enforcement activities.

Bedford Beautification Fund – This fund accounts for revenue and expenditures related to various citywide beautification programs proposed by the City's Beautification Commission.

Police Training Fund – This fund accounts for funds received from state surplus to be used for police training.

Tourism Development Fund – This fund accounts for hotel/motel taxes received.

Local Law Enforcement Block Grant Fund – This fund accounts for revenue and expenditures of funds provided by the state for the purchase of various qualifying law enforcement related equipment.

Regional Fire Grant Fund – This fund is used to account for the revenues and expenditures related to the regional fire grants.

Red Light Cameras Fund – This fund accounts for revenues generated from red light camera fines.

NETCO/Motorola Rebanding – This fund accounts for The City of Bedford's portion of proceeds received from Motorola for Northeast Tarrant County Trunked Radio Consortium (NETCO). Resolution No. 07-53.

Various Grants – This fund accounts for revenues and expenditures from multiple grants, the majority of which pertain to energy conservation.

CITY OF BEDFORD, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 649,746	$ 3,292,426	$ 3,942,172
Receivables:			
Accounts	2,921	-	2,921
Other	119,762	-	119,762
Due from other governments	1,098,095	-	1,098,095
Total assets	$ 1,870,524	$ 3,292,426	$ 5,162,950
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 224,628	$ 37,468	$ 262,096
Deferred revenues	10,284	-	10,284
Due to other funds	1,078,547	-	1,078,547
Total liabilities	1,313,459	37,468	1,350,927
Fund balances:			
Restricted for:			
Public safety	625,514	-	625,514
Parks and beautification	83,481	-	83,481
Other	52,482	-	52,482
Capital acquisition and construction	-	3,254,958	3,254,958
Unassigned	(204,412)	-	(204,412)
Total fund balances	557,065	3,254,958	3,812,023
Total liabilities and fund balances	$ 1,870,524	$ 3,292,426	$ 5,162,950

CITY OF BEDFORD, TEXAS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes, penalty and interest	$ 663,291	$ -	$ 663,291
Charges for services	312,029	-	312,029
Fines and forfeitures	657,652	-	657,652
Support from governmental entities	1,783,481	-	1,783,481
Interest	2,812	46,342	49,154
Miscellaneous	90,391	-	90,391
Total revenues	3,509,656	46,342	3,555,998
EXPENDITURES			
Current:			
General government	12,322	-	12,322
Administrative services	37,095	-	37,095
Community services	800,916	-	800,916
Public services	-	11,021	11,021
Public safety	636,274	-	636,274
Leisure	14,870	-	14,870
Capital outlay	1,958,354	822,221	2,780,575
Debt service:			
Bond issuance costs	-	60,705	60,705
Total expenditures	3,459,831	893,947	4,353,778
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	49,825	(847,605)	(797,780)
OTHER FINANCING SOURCES (USES)			
Transfers out	(194,907)	-	(194,907)
Premium on debt	-	38,360	38,360
Proceeds from the sale of debt, net	-	2,795,000	2,795,000
Total other financing sources (uses)	(194,907)	2,833,360	2,638,453
NET CHANGE IN FUND BALANCES	(145,082)	1,985,755	1,840,673
FUND BALANCES, BEGINNING	702,147	1,269,203	1,971,350
FUND BALANCES, ENDING	$ 557,065	$ 3,254,958	$ 3,812,023

CITY OF BEDFORD, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2011

	Miscellaneous Donations	Court Security	Court Technology	Park Donation	Drug Forfeiture	Beautification Commission
ASSETS						
Cash and cash equivalents	$ 206,778	$ 7,370	$ 72,654	$ 47,247	$ 28,405	$ 35,966
Receivables:						
Accounts	-	-	-	268	-	-
Other	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	$ 206,778	$ 7,370	$ 72,654	$ 47,515	$ 28,405	$ 35,966
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 3,630	$ 1,447	$ 289	$ -	$ 402	$ -
Deferred revenues	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	3,630	1,447	289	-	402	-
Fund balances	203,148	5,923	72,365	47,515	28,003	35,966
Total liabilities and fund balances	$ 206,778	$ 7,370	$ 72,654	$ 47,515	$ 28,405	$ 35,966

Police Training	Tourism Development	Local Law Enforcement Grant	Regional Fire Grant	Red Light	NETCO Motorola	Various Grants	Total Nonmajor Governmental Funds
$ 14,004	$ -	$ 1,117	$ 5,026	$ 226,903	$ 4,276	$ -	$ 649,746
-	2,653	-	-	-	-	-	2,921
-	64,188	-	-	55,574	-	-	119,762
-	-	-	-	-	-	1,098,095	1,098,095
$ 14,004	$ 66,841	$ 1,117	$ 5,026	$ 282,477	$ 4,276	$ 1,098,095	$ 1,870,524
$ 288	$ 71,242	$ -	$ -	$ 137,450	$ -	$ 9,880	$ 224,628
-	10,284	-	-	-	-	-	10,284
-	189,727	-	-	-	-	888,820	1,078,547
288	271,253	-	-	137,450	-	898,700	1,313,459
13,716	(204,412)	1,117	5,026	145,027	4,276	199,395	557,065
$ 14,004	$ 66,841	$ 1,117	$ 5,026	$ 282,477	$ 4,276	$ 1,098,095	$ 1,870,524

CITY OF BEDFORD, TEXAS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Miscellaneous Donations	Court Security	Court Technology	Park Donation	Drug Forfeiture	Beautification Commission
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	34,647	46,038	-	-	-
Support from other governmental entities	-	-	-	-	12,701	-
Interest	1,196	7	1,029	70	35	42
Miscellaneous	65,324	-	-	8,768	-	10,000
Total revenues	66,520	34,654	47,067	8,838	12,736	10,042
EXPENDITURES						
Current:						
General government	12,322	-	-	-	-	-
Administrative services	22,731	-	14,364	-	-	-
Community services	-	-	-	-	-	-
Public safety	7,224	-	-	-	9,274	-
Leisure	-	-	-	-	-	652
Capital outlay	-	-	53,019	22,414	-	-
Total expenditures	42,277	-	67,383	22,414	9,274	652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,243	34,654	(20,316)	(13,576)	3,462	9,390
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(36,447)	-	-	-	-
Total other financing sources (uses)	-	(36,447)	-	-	-	-
NET CHANGE IN FUND BALANCES	24,243	(1,793)	(20,316)	(13,576)	3,462	9,390
FUND BALANCES, BEGINNING	178,905	7,716	92,681	61,091	24,541	26,576
FUND BALANCES, ENDING	$ 203,148	$ 5,923	$ 72,365	$ 47,515	$ 28,003	$ 35,966

Police Training	Tourism Development	Local Law Enforcement Grant	Regional Fire Grant	Red Light	NETCO Motorola	Various Grants	Total Nonmajor Governmental Funds
$ -	$ 663,291	$ -	$ -	$ -	$ -	$ -	$ 663,291
-	312,029	-	-	-	-	-	312,029
-	-	-	-	576,967	-	-	657,652
6,970	-	-	-	-	-	1,763,810	1,783,481
16	-	2	6	388	8	13	2,812
-	6,299	-	-	-	-	-	90,391
6,986	981,619	2	6	577,355	8	1,763,823	3,509,656
-	-	-	-	-	-	-	12,322
-	-	-	-	-	-	-	37,095
-	800,916	-	-	-	-	-	800,916
5,066	-	-	-	499,690	1,726	113,294	636,274
-	-	-	-	-	-	14,218	14,870
-	-	-	-	246,623	-	1,636,298	1,958,354
5,066	800,916	-	-	746,313	1,726	1,763,810	3,459,831
1,920	180,703	2	6	(168,958)	(1,718)	13	49,825
-	(158,460)	-	-	-	-	-	(194,907)
-	(158,460)	-	-	-	-	-	(194,907)
1,920	22,243	2	6	(168,958)	(1,718)	13	(145,082)
11,796	(226,655)	1,115	5,020	313,985	5,994	199,382	702,147
$ 13,716	$(204,412)	$ 1,117	$ 5,026	$ 145,027	$ 4,276	$ 199,395	$ 557,065

CITY OF BEDFORD, TEXAS

COMBINING SSCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

BUDGETED NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED SEPTEMBER 30, 2011

	Court Security			
	Original Budget	Final Budget	Actual	Variance from Budget
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Fines and forfeits	29,000	29,000	34,647	5,647
Support from other governmental entities	-	-	-	-
Interest	73	73	7	(66)
Miscellaneous	-	-	-	-
Total revenues	29,073	29,073	34,654	5,581
EXPENDITURES				
General government	-	-	-	-
Community services	-	-	-	-
Public safety	-	-	-	-
Leisure	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,073	29,073	34,654	5,581
OTHER FINANCING SOURCES (USES)				
Transfers out	(35,000)	(35,000)	(36,447)	(1,447)
Total other financing sources (uses)	(35,000)	(35,000)	(36,447)	(1,447)
NET CHANGE IN FUND BALANCES	(5,927)	(5,927)	(1,793)	4,134
FUND BALANCES, BEGINNING	7,716	7,716	7,716	-
FUND BALANCES, ENDING	$ 1,789	$ 1,789	$ 5,923	$ 4,134

Court Technology				Park Donation			
Original Budget	Final Budget	Actual	Variance from Budget	Original Budget	Final Budget	Actual	Variance from Budget
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
40,000	40,000	46,038	6,038	-	-	-	-
-	-	-	-	-	-	-	-
2,000	2,000	1,029	(971)	200	200	70	(130)
-	-	-	-	10,000	10,000	8,768	(1,232)
42,000	42,000	47,067	5,067	10,200	10,200	8,838	(1,362)
13,410	13,410	14,364	(954)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
56,252	56,252	53,019	3,233	-	-	-	-
69,662	69,662	67,383	2,279	-	-	22,414	(22,414)
(27,662)	(27,662)	(20,316)	7,346	10,200	10,200	(13,576)	(23,776)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(27,662)	(27,662)	(20,316)	7,346	10,200	10,200	(13,576)	(23,776)
92,681	92,681	92,681	-	61,091	61,091	61,091	-
$ 65,019	$ 65,019	$ 72,365	$ 7,346	$ 71,291	$ 71,291	$ 47,515	$(23,776)

(continued)

CITY OF BEDFORD, TEXAS

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

BUDGETED NONMAJOR SPECIAL REVENUE FUNDS (Continued) YEAR ENDED SEPTEMBER 30, 2011

	Drug Forfeiture			
	Original Budget	Final Budget	Actual	Variance from Budget
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Support from other governmental entities	-	-	12,701	12,701
Interest	1,000	1,000	35	(965)
Miscellaneous	-	-	-	-
Total revenues	1,000	1,000	12,736	11,736
EXPENDITURES				
General government	-	-	-	-
Community services	-	-	-	-
Public safety	30,000	30,000	9,274	20,726
Leisure	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	30,000	30,000	9,274	20,726
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,000)	(29,000)	3,462	32,462
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(29,000)	(29,000)	3,462	32,462
FUND BALANCES, BEGINNING	24,541	24,541	24,541	-
FUND BALANCES, ENDING	$(4,459)	$(4,459)	$ 28,003	$ 32,462

Beautification Commission				Police Training			
Original Budget	Final Budget	Actual	Variance from Budget	Original Budget	Final Budget	Actual	Variance from Budget
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	6,970	6,970
50	50	42	(8)	60	60	16	(44)
-	-	10,000	10,000	-	-	-	-
50	50	10,042	9,992	60	60	6,986	6,926
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	5,900	5,900	5,066	834
10,000	10,000	652	9,348	-	-	-	-
-	-	-	-	-	-	-	-
10,000	10,000	652	9,348	5,900	5,900	5,066	834
(9,950)	(9,950)	9,390	19,340	(5,840)	(5,840)	1,920	7,760
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(9,950)	(9,950)	9,390	19,340	(5,840)	(5,840)	1,920	7,760
26,576	26,576	26,576	-	11,796	11,796	11,796	-
$ 16,626	$ 16,626	$ 35,966	$ 19,340	$ 5,956	$ 5,956	$ 13,716	$ 7,760

(continued)

CITY OF BEDFORD, TEXAS

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

BUDGETED NONMAJOR SPECIAL REVENUE FUNDS (Continued) YEAR ENDED SEPTEMBER 30, 2011

	Tourism Development			
	Original Budget	Final Budget	Actual	Variance from Budget
REVENUES				
Taxes	$ 650,000	$ 650,000	$ 663,291	$ 13,291
Charges for services	300,050	300,050	312,029	11,979
Fines and forfeits	-	-	-	-
Support from other governmental entities	-	-	-	-
Interest	-	-	-	-
Miscellaneous	18,800	18,800	6,299	(12,501)
Total revenues	968,850	968,850	981,619	12,769
EXPENDITURES				
General government	-	-	-	-
Community services	787,830	787,830	800,916	(13,086)
Public safety	-	-	-	-
Leisure	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	787,830	787,830	800,916	(13,086)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	181,020	181,020	180,703	(317)
OTHER FINANCING SOURCES (USES)				
Transfers out	(187,660)	(187,660)	(158,460)	29,200
Total other financing sources (uses)	(187,660)	(187,660)	(158,460)	29,200
NET CHANGE IN FUND BALANCES	(6,640)	(6,640)	22,243	28,883
FUND BALANCES, BEGINNING	(226,655)	(226,655)	(226,655)	-
FUND BALANCES, ENDING	$(233,295)	$(233,295)	$(204,412)	$ 28,883

Red Light				Totals			
Original Budget	Final Budget	Actual	Variance from Budget	Original Budget	Final Budget	Actual	Variance from Budget
$ -	$ -	$ -	$ -	$ 650,000	$ 650,000	$ 663,291	$ 13,291
-	-	-	-	300,050	300,050	312,029	11,979
622,593	622,593	576,967	(45,626)	691,593	691,593	657,652	(33,941)
-	-	-	-	-	-	19,671	19,671
450	450	388	(62)	3,833	3,833	1,587	(2,246)
-	-	-	-	28,800	28,800	25,067	(3,733)
623,043	623,043	577,355	(45,688)	1,674,276	1,674,276	1,679,297	5,021
-	-	-	-	13,410	13,410	14,364	(954)
-	-	-	-	787,830	787,830	800,916	(13,086)
504,141	504,141	499,690	4,451	540,041	540,041	514,030	26,011
-	-	-	-	10,000	10,000	652	9,348
-	-	246,623	(246,623)	56,252	56,252	299,642	(243,390)
504,141	504,141	746,313	(242,172)	1,407,533	1,407,533	1,652,018	(244,485)
118,902	118,902	(168,958)	(287,860)	266,743	266,743	27,279	(239,464)
-	-	-	-	(222,660)	(222,660)	(194,907)	27,753
-	-	-	-	(222,660)	(222,660)	(194,907)	27,753
118,902	118,902	(168,958)	(287,860)	44,083	44,083	(167,628)	(211,711)
313,985	313,985	313,985	-	311,731	311,731	311,731	-
$ 432,887	$ 432,887	$ 145,027	$(287,860)	$ 355,814	$ 355,814	$ 144,103	$(211,711)

DEBT SERVICE FUND

The ***Debt Service Fund*** is used to account for the accumulation of resources for the repayment of general long-term debt.

CITY OF BEDFORD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			
	Original	Final	Actual	Variance from Budget
REVENUES				
Taxes, penalty and interest	$ 5,215,790	$ 5,215,790	$ 5,192,111	$(23,679)
Interest	20,000	20,000	19,283	(717)
Miscellaneous	37,963	37,963	37,963	-
Total revenues	5,273,753	5,273,753	5,249,357	(24,396)
EXPENDITURES				
Principal on debt	4,610,000	4,610,000	4,610,000	-
Interest and fiscal agent fees	2,140,231	2,140,231	2,137,463	2,768
Bond issuance cost	-	-	66,922	(66,922)
Total expenditures	6,750,231	6,750,231	6,814,385	(64,154)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,476,478)	(1,476,478)	(1,565,028)	(88,550)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	3,320,000	3,320,000
Premium on debt	-	-	58,725	58,725
Payment to refunded bond escrow agent	-	-	(3,313,090)	(3,313,090)
Transfers in	1,478,279	1,478,279	1,478,279	-
Total other financing sources and uses	1,478,279	1,478,279	1,543,914	65,635
NET CHANGE IN FUND BALANCES	1,801	1,801	(21,114)	(22,915)
FUND BALANCES, BEGINNING	1,240,869	1,240,869	1,240,869	-
FUND BALANCES, ENDING	$ 1,242,670	$ 1,242,670	$ 1,219,755	$(22,915)

CAPITAL PROJECTS FUNDS

The ***Capital Projects Fund*** is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Series 2002 – to account for construction projects authorized for the General Obligation 2002 bond issue.

Series 2003 – to account for construction projects authorized for the General Obligation Series 2003 bond issue.

Series 2004 – to account for construction projects authorized for the General Obligation Series 2004 refunding and improvement bond issue.

Series 2007 – to account for construction projects authorized for the General Obligation Series 2007 bond issue.

Series 2010 – to account for construction projects authorized for the General Obligation Series 2010 bond issue.

Series 2011 – to account for construction projects authorized for the General Obligation Series 2011 bond issue.

CITY OF BEDFORD, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2011

	Series 2002	Series 2003	Series 2004	Series 2007	Series 2010	Series 2011	Totals
ASSETS							
Cash and cash equivalents	$ 208,059	$ 3,643	$ 5,039	$ 296,913	$ -	$ 2,778,772	$ 3,292,426
Total assets	$ 208,059	$ 3,643	$ 5,039	$ 296,913	$ -	$ 2,778,772	$ 3,292,426
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ -	$ -	$ 794	$ -	$ -	$ 36,674	$ 37,468
Total liabilities	-	-	794	-	-	36,674	37,468
Fund balances	208,059	3,643	4,245	296,913	-	2,742,098	3,254,958
Total liabilities and fund balances	$ 208,059	$ 3,643	$ 5,039	$ 296,913	$ -	$ 2,778,772	$ 3,292,426

CITY OF BEDFORD, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

YEAR ENDED SEPTEMBER 30, 2011

	Series 2002	Series 2003	Series 2004	Series 2007	Series 2010	Series 2011	Totals
REVENUES							
Interest	$ 292	$ 5	$ 389	$ 731	$ -	$ 44,925	$ 46,342
Miscellaneous	-	-	-	-	-	-	-
Total revenues	292	5	389	731	-	44,925	46,342
EXPENDITURES							
Public services	-	-	11,021	-	-	-	11,021
Public safety	-	-	-	-	-	-	-
Leisure services	-	-	-	-	-	-	-
Capital outlay	-	-	390,049	356,622	-	75,550	822,221
Debt service:							
Bond issuance costs	-	-	-	-	68	60,637	60,705
Total expenditures	-	-	401,070	356,622	68	136,187	893,947
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	292	5	(400,681)	(355,891)	(68)	(91,262)	(847,605)
OTHER FINANCING SOURCES							
Premium on debt	-	-	-	-	-	38,360	38,360
Proceeds from the sale of debt, net	-	-	-	-	-	2,795,000	2,795,000
Total other financing sources	-	-	-	-	-	2,833,360	2,833,360
NET CHANGE IN FUND BALANCES	292	5	(400,681)	(355,891)	(68)	2,742,098	1,985,755
FUND BALANCES, BEGINNING	207,767	3,638	404,926	652,804	68	-	1,269,203
FUND BALANCES, ENDING	$ 208,059	$ 3,643	$ 4,245	$ 296,913	$ -	$ 2,742,098	$ 3,254,958

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Bedford, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	73 – 81
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	82 – 87
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	88 – 94
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	95 – 96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	97 – 99

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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FINANCIAL TRENDS

CITY OF BEDFORD, TEXAS

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Governmental activities:			
Invested in capital assets, net of related debt	$ 31,145,948	$ 21,399,758	$ 22,052,609
Restricted	5,845,813	7,470,270	10,479,326
Unrestricted	4,882,749	9,308,365	6,289,258
Total governmental activities net assets	$ 41,874,510	$ 38,178,393	$ 38,821,193
Business-type activities:			
Invested in capital assets, net of related debt	$ 26,910,671	$ 26,638,461	$ 27,281,585
Restricted	533,310	479,614	660,668
Unrestricted	4,562,493	4,926,531	4,192,650
Total business-type activities net assets	$ 32,006,474	$ 32,044,606	$ 32,134,903
Primary government:			
Invested in capital assets, net of related debt	$ 58,056,619	$ 48,038,219	$ 49,334,194
Restricted	6,379,123	7,949,884	11,139,994
Unrestricted	9,445,242	14,234,896	10,481,908
Total primary government net assets	$ 73,880,984	$ 70,222,999	$ 70,956,096

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004 and restated 2003 to be comparable.

TABLE 1

Fiscal Year					
2006	2007	2008	2009	2010	2011
$ 20,152,043	$ 18,066,323	$ 14,984,593	$ 15,746,263	$ 15,639,418	$ 18,342,224
10,170,951	10,684,040	9,252,835	8,175,954	7,306,010	3,638,843
8,718,258	10,515,405	11,143,963	6,437,967	6,795,025	4,537,414
$ 39,041,252	$ 39,265,768	$ 35,381,391	$ 30,360,184	$ 29,740,453	$ 26,518,481
$ 27,720,235	$ 28,252,592	$ 25,633,370	$ 27,674,312	$ 26,993,812	$ 26,915,595
633,948	775,601	574,491	576,397	576,397	-
4,368,465	2,873,279	3,846,498	985,709	1,547,031	3,806,277
$ 32,722,648	$ 31,901,472	$ 30,054,359	$ 29,236,418	$ 29,117,240	$ 30,721,872
$ 47,872,278	$ 46,318,915	$ 40,617,963	$ 43,420,575	$ 42,633,230	$ 45,257,819
10,804,899	11,459,641	9,827,326	8,752,351	7,882,407	3,638,843
13,086,723	13,388,684	14,990,461	7,423,676	8,342,056	8,343,691
$ 71,763,900	$ 71,167,240	$ 65,435,750	$ 59,596,602	$ 58,857,693	$ 57,240,353

CITY OF BEDFORD, TEXAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
EXPENSES			
Governmental activities:			
General government	$ 3,425,412	$ 3,522,415	$ 3,508,689
Community services	1,579,140	1,389,664	1,171,199
Public services	7,701,405	7,741,427	7,160,271
Public safety	14,037,183	14,304,884	14,736,575
Leisure services	3,929,286	3,856,045	3,168,021
Interest on long-term debt	3,101,736	2,875,781	2,232,690
Total governmental activities expenses	33,774,162	33,690,216	31,977,445
Business-type activities:			
Water and sewer	13,048,752	12,528,401	11,512,181
Stormwater collection and disposal	713,653	664,883	608,602
Total business-type activities expenses	13,762,405	13,193,284	12,120,783
Total primary government program expenses	$ 47,536,567	$ 46,883,500	$ 44,098,228
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	$ 1,620,115	$ 1,668,352	$ 72,339
Community services	782,958	820,417	791,041
Public services	106,765	102,917	142,295
Public safety	2,547,762	2,460,452	2,358,206
Leisure services	715,168	754,757	526,822
Operating grants and contributions	1,023,693	738,079	579,295
Capital grants and contributions	-	311,640	1,867,438
Total governmental activities program revenues	6,796,461	6,856,614	6,337,436
Business-type activities:			
Charges for services:			
Water and sewer	11,621,283	12,115,682	12,886,431
Wastewater collection and disposal	1,231,784	1,267,241	1,263,409
Operating grants and contributions	-	7,500	26,815
Capital grants and contributions	-	-	-
Total business-type activities program revenues	12,853,067	13,390,423	14,176,655
Total primary government program revenues	$ 19,649,528	$ 20,247,037	$ 20,514,091

Fiscal Year					
2006	2007	2008	2009	2010	2011
$ 3,445,079	$ 3,837,032	$ 3,824,933	$ 4,184,723	$ 4,117,515	$ 3,906,050
1,393,991	1,549,822	1,847,222	2,270,248	1,883,752	1,848,795
7,914,908	7,636,447	10,375,836	8,185,269	9,038,955	8,876,104
15,393,011	17,342,223	17,811,789	19,499,698	18,500,766	18,358,228
3,579,489	4,077,063	4,181,914	4,191,990	4,100,548	4,754,190
2,408,480	2,405,086	2,415,600	2,254,217	2,140,046	2,213,384
34,134,958	36,847,673	40,457,294	40,586,145	39,781,582	39,956,751
12,217,772	12,025,510	14,178,331	13,999,365	15,094,351	16,294,807
629,715	596,639	722,489	716,601	731,109	950,760
12,847,487	12,622,149	14,900,820	14,715,966	15,825,460	17,245,567
$ 46,982,445	$ 49,469,822	$ 55,358,114	$ 55,302,111	$ 55,607,042	$ 57,202,318
$ 102,348	$ 119,222	$ 123,753	$ 98,178	$ 90,428	$ 88,135
613,869	827,940	613,936	266,293	405,255	1,061,313
165,123	150,074	154,155	180,998	210,354	1,362,564
3,094,688	3,045,090	3,868,960	3,314,907	3,472,196	2,541,942
734,938	749,525	898,200	1,105,972	1,001,728	1,129,453
655,952	633,460	666,150	735,473	3,092,958	711,749
116,682	340,150	-	-	-	1,695,184
5,483,600	5,865,461	6,325,154	5,701,821	8,272,919	8,590,340
13,786,141	11,969,357	13,250,970	14,539,710	16,104,703	19,811,255
1,317,313	1,326,610	1,308,828	1,291,800	1,291,249	1,290,285
-	-	-	-	-	-
-	-	300,648	71,486	267,469	26,446
15,103,454	13,295,967	14,860,446	15,902,996	17,663,421	21,127,986
$ 20,587,054	$ 19,161,428	$ 21,185,600	$ 21,604,817	$ 25,936,340	$ 29,718,326

(continued)

CITY OF BEDFORD, TEXAS

CHANGES IN NET ASSETS
(Continued)
LAST NINE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
NET (EXPENSE) REVENUES			
Governmental activities	$(26,977,701)	$(26,833,602)	$(25,640,009)
Business-type activities	(909,338)	197,139	2,055,872
Total primary government net expense	(27,887,039)	(26,636,463)	(23,584,137)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	10,287,392	10,723,394	10,981,392
Sales	8,246,849	8,021,755	8,229,218
Franchise	2,897,941	2,916,291	2,894,912
Other	678,449	721,636	684,834
Unrestricted grants and contributions	49,975	25,949	405,220
Investment earnings	241,208	205,295	507,131
Miscellaneous	289,987	308,165	311,360
Transfers	214,560	215,000	2,438,537
Total governmental activities	22,906,361	23,137,485	26,452,604
Business-type activities:			
Investment earnings	87,046	55,993	127,403
	-	-	-
Transfers	(214,560)	(215,000)	(2,438,537)
Total business-type activities	(127,514)	(159,007)	(2,311,134)
Total primary government	22,778,847	22,978,478	24,141,470
CHANGE IN NET ASSETS			
Governmental activities	(4,071,340)	(3,696,117)	812,595
Business-type activities	(1,036,852)	38,132	(255,262)
Total primary government	$(5,108,192)	$(3,657,985)	$ 557,333

Notes:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004 and restated 2003 to be comparable. Beginning in 2005, the City reported charges between the business-type activities and governmental activities as transfers, prior to that time, they were treated as a program expense and program income in the General Fund.

TABLE 2

Fiscal Year					
2006	2007	2008	2009	2010	2011
$(28,651,358)	$(30,982,212)	$(34,132,140)	$(34,884,324)	$(31,508,663)	$(31,366,411)
2,255,967	673,818	(40,374)	1,187,030	1,837,961	3,882,419
(26,395,391)	(30,308,394)	(34,172,514)	(33,697,294)	(29,670,702)	(27,483,992)
12,482,435	12,716,071	13,227,183	13,486,685	13,714,212	13,968,871
8,949,089	9,263,121	9,691,349	9,360,239	9,531,017	9,060,295
3,229,578	4,481,280	3,195,320	3,407,455	3,278,385	3,405,709
719,393	1,199,052	866,468	753,160	869,071	919,452
58,434	26,818	33,737	35,973	34,631	34,355
868,272	1,062,938	793,585	344,023	151,108	131,541
265,286	424,331	407,004	423,658	229,001	451,896
1,929,925	2,033,117	2,033,117	2,051,924	2,086,467	2,336,631
28,502,412	31,206,728	30,247,763	29,863,117	29,893,892	30,308,750
254,588	252,283	226,378	46,953	17,046	55,527
-	-	-	-	112,282	3,317
(1,929,925)	(2,033,117)	(2,033,117)	(2,051,924)	(2,086,467)	(2,336,631)
(1,675,337)	(1,780,834)	(1,806,739)	(2,004,971)	(1,957,139)	(2,277,787)
26,827,075	29,425,894	28,441,024	27,858,146	27,936,753	28,030,963
(148,946)	224,516	(3,884,377)	(5,021,207)	(1,614,771)	(1,057,661)
580,630	(1,107,016)	(1,847,113)	(817,941)	(119,178)	1,604,632
$ 431,684	$(882,500)	$(5,731,490)	$(5,839,148)	$(1,733,949)	$ 546,971

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TABLE 3

CITY OF BEDFORD, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved/nonspendable	$ 422,830	$ 429,235	$ 425,318	$ 468,200	$ 627,581	$ 534,232	$ 445,045	$ 431,320	$ 336,227	$ 326,807
Unassigned	4,616,746	4,698,471	4,965,862	5,957,453	7,603,569	9,902,948	9,225,455	7,258,376	5,666,237	4,087,163
Total general fund	$ 5,039,576	$ 5,127,706	$ 5,391,180	$ 6,425,653	$ 8,231,150	$ 10,437,180	$ 9,670,500	$ 7,689,696	$ 6,002,464	$ 4,413,970
All other governmental funds										
Reserved/nonspendable	$ 1,651,230	$ 1,601,216	$ 1,675,399	$ 1,651,920	$ 1,709,022	$ 1,741,424	$ 1,290,684	$ 1,247,939	$ 1,240,869	$ -
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	-	1,219,755
Road improvements	-	-	-	-	-	-	-	-	-	1,815,920
Capital acquisition	-	-	-	-	-	-	-	-	-	3,254,958
Economic development	-	-	-	-	-	-	-	-	-	1,183,613
Public safety	-	-	-	-	-	-	-	-	-	625,514
Parks and beautification	-	-	-	-	-	-	-	-	-	83,481
Other	-	-	-	-	-	-	-	-	-	52,482
Assigned:										
Unreserved, reported in:										
Special revenue funds	5,039,873	4,244,597	3,692,131	4,707,096	5,201,608	6,530,516	3,763,105	3,564,887	2,781,166	-
Capital projects	9,748,902	3,174,600	5,794,871	4,120,310	3,260,321	2,412,100	4,199,046	3,363,128	3,057,292	-
Unassigned	-	-	-	-	-	-	-	-	-	(204,412)
Total all other governmental funds	$ 16,440,005	$ 9,020,413	$ 11,162,401	$ 10,479,326	$ 10,170,951	$ 9,252,835	$ 9,252,835	$ 8,175,954	$ 7,079,327	$ 8,031,311

TABLE 4

CITY OF BEDFORD, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Taxes	$ 21,278,814	$ 22,005,932	$ 22,369,519	$ 22,771,161	$ 25,322,653	$ 27,693,033	$ 26,844,636	$ 26,881,888	$ 27,283,735	$ 27,322,766
Administrative overhead	1,584,612	1,556,804	1,600,000	-	-	-	-	-	-	-
Licenses and permits	971,727	745,265	856,941	952,837	802,733	1,014,223	802,498	614,126	710,722	521,463
Charges for services	1,221,309	1,451,482	1,434,694	1,548,615	1,947,486	2,295,407	2,579,188	2,725,039	2,522,870	2,817,269
Fines and forfeitures	1,367,577	1,632,629	1,522,254	929,944	1,038,739	1,142,100	1,353,458	1,515,851	1,920,400	2,109,088
Support from governmental entiti	768,559	1,088,400	968,372	2,637,224	902,951	1,025,420	752,157	923,368	3,034,152	2,329,053
Interest	414,230	241,272	205,268	507,130	868,272	1,062,939	793,585	344,023	151,108	131,541
Miscellaneous	823,938	619,402	709,294	852,034	566,909	972,943	705,769	396,980	300,394	577,387
Total revenues	28,430,766	29,341,186	29,666,342	30,198,945	31,449,743	35,206,065	33,831,291	33,401,275	35,923,381	35,808,567
EXPENDITURES										
General government	1,391,748	1,390,724	1,420,361	1,497,535	1,609,684	1,975,517	1,884,640	1,865,968	1,881,419	1,637,817
Community services	2,035,041	1,852,209	1,613,795	1,068,241	1,295,893	1,469,188	1,741,022	2,113,053	1,814,002	1,780,483
Public services	2,220,200	2,687,525	2,862,536	2,094,947	2,751,676	2,280,339	5,165,407	2,808,318	3,678,797	3,497,327
Administrative services	2,083,372	2,016,552	1,944,802	1,901,101	1,853,739	1,810,950	1,810,273	1,837,426	1,946,935	1,903,157
Public safety	12,265,074	12,394,972	12,798,996	15,386,754	14,380,728	16,120,214	16,444,533	17,179,678	17,144,215	16,986,248
Leisure services	3,035,678	3,128,844	3,188,335	2,553,264	2,977,194	3,525,025	3,538,133	3,605,545	3,666,662	3,782,933
Capital outlay	3,815,809	7,511,420	1,365,727	2,840,037	1,063,196	1,239,719	4,677,674	2,793,519	9,192,117	5,272,761
Debt service										
Interest	3,038,128	3,275,974	3,002,663	2,711,746	2,330,436	2,324,110	2,326,809	2,168,905	2,047,707	2,265,090
Principal	2,702,145	3,137,145	3,517,145	3,340,000	3,620,000	3,775,000	4,110,000	4,245,000	4,405,000	4,610,000
Total expenditures	32,587,195	37,395,365	31,714,360	33,393,625	31,882,546	34,520,062	41,698,491	38,617,412	45,776,854	41,735,816

(continued)

TABLE 4

CITY OF BEDFORD, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(4,156,429)	$(8,054,179)	$(2,048,018)	$(3,194,680)	$(432,803)	$ 686,003	$(7,867,200)	$(5,216,137)	$(9,853,473)	$(5,927,249)
OTHER FINANCING SOURCES (USES)										
Proceeds from borrowing	7,667,229	525,000	8,671,277	2,872,222	-	-	4,002,129	-	4,885,000	6,115,000
Proceeds from sale of capital assets	-	-	-	-	-	-	26,972	5,265	43,152	44,797
Premium on debt	-	-	-	-	-	-	-	-	-	97,085
Proceeds from refunding	1,615,000	6,383,845	4,065,000	28,600,000	-	-	-	-	-	-
Payments to escrow account	(1,122,298)	(6,400,688)	(8,497,797)	(30,364,682)	-	-	-	-	-	(3,313,090)
Proceeds from insurance	-	-	-	-	-	-	-	101,263	55,023	10,288
Transfers in	2,224,419	2,126,612	2,554,048	4,525,479	3,818,155	3,647,499	3,638,901	3,648,823	4,803,148	3,909,807
Transfers out	(1,983,892)	(1,912,053)	(2,339,048)	(2,086,941)	(1,888,230)	(1,614,383)	(1,605,784)	(1,596,899)	(2,616,681)	(1,573,176)
Total other financing sources (uses)	8,400,458	722,716	4,453,480	3,546,078	1,929,925	2,033,116	6,062,218	2,158,452	7,169,642	5,290,711
NET CHANGE IN FUND BALANCES	$ 4,244,029	$(7,331,463)	$ 2,405,462	$ 351,398	$ 1,497,122	$ 2,719,119	$(1,804,982)	$(3,057,685)	$(2,683,831)	$(636,538)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	20.0%	21.5%	21.5%	19.8%	19.3%	18.3%	17.4%	17.9%	17.6%	18.9%

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REVENUE CAPACITY

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TABLE 5

CITY OF BEDFORD, TEXAS

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Ad Valorem	Hotel/Motel	Franchise	Sales	Total
2002	$ 8,579,310	$ 750,199	$ 3,085,710	$ 8,863,595	$ 21,278,814
2003	10,171,889	588,240	2,998,954	8,246,849	22,005,932
2004	10,681,231	644,056	3,022,477	8,021,755	22,369,519
2005	10,943,466	591,240	3,007,237	8,229,218	22,771,161
2006	12,437,659	584,414	3,231,178	9,069,402	25,322,653
2007	12,665,245	1,006,541	4,518,607	9,502,640	27,693,033
2008	13,010,378	665,255	3,195,320	9,691,349	26,562,302
2009	13,459,108	434,495	3,407,455	9,360,239	26,661,297
2010	13,693,999	557,129	3,278,385	9,531,017	27,060,530
2011	13,968,871	663,291	3,405,709	9,060,295	27,098,166

TABLE 6

CITY OF BEDFORD, TEXAS

WATER REVENUE

LAST TEN FISCAL YEARS

Fiscal Year	Number of Customers	Gallons Billed (000)	Water Revenue	Revenue Per Customer	Revenue Per 1,000 Gallons
2002	22,451	2,649,477	$ 7,893,649	$ 352	$ 2.98
2003	22,566	2,827,719	8,272,334	367	2.93
2004	22,662	2,635,211	7,763,547	343	2.95
2005	22,775	2,753,677	8,374,020	368	3.04
2006	22,892	3,361,159	9,253,726	404	2.75
2007	22,974	2,499,179	7,559,401	329	3.02
2008	23,113	2,804,199	8,460,437	366	3.02
2009	23,100	2,667,852	9,245,489	400	3.47
2010	23,085	2,486,470	10,038,233	435	4.04
2011	23,090	2,945,337	12,673,013	549	4.30

TABLE 7

CITY OF BEDFORD, TEXAS

PRINCIPAL WATER CUSTOMERS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

Customer Name	Gallons Consumed (000)	Percent Total	Amount Billed	Total Percent
Harris HEB Hospital	49,371	1.68%	$ 152,207	1.20%
City of Bedford	28,572	0.97%	163,191	1.29%
Shops Central, L.P.	12,815	0.44%	38,446	0.30%
Walden Residential Property Management	12,640	0.43%	38,720	0.31%
Shenandoah Village Apartments	11,174	0.38%	35,115	0.28%
Waters Park Apartments	10,946	0.37%	34,456	0.27%
Heartland of Bedford, HCR Manorcare	10,593	0.36%	34,848	0.27%
Holiday Inn DFW/3005 W Airport Frwy, Inc.	9,030	0.31%	42,311	0.33%
The Courts of Bedford	8,238	0.28%	25,101	0.20%
Airport Centre c/o Transwestern	7,965	0.27%	25,841	0.20%
Top Ten Total	161,344	5.48%	590,236	4.66%
City Total	2,945,337	100.00%	$ 12,673,013	100.00%

Source: City AS400 Top Ten report abnd Annual State water report

TABLE 8

CITY OF BEDFORD, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Total Market Value	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2002	$ 2,329,929,277	$ 312,206,177	$ 2,642,135,454	$ 151,507,249	$ 2,490,628,205	$ 0.339361	$ 2,490,628,205
2003	* 2,540,202,432	182,637,601	2,722,840,033	228,120,443	2,494,719,590	0.384051	2,494,719,590
2004	2,633,549,517	251,455,398	2,885,004,915	289,744,893	2,595,260,022	0.389424	2,595,260,022
2005	2,669,430,145	230,013,805	2,899,443,950	286,451,113	2,612,992,837	0.400757	2,612,992,837
2006	2,760,812,235	208,984,999	2,969,797,234	214,560,155	2,755,237,079	0.446882	2,755,237,079
2007	2,842,614,223	196,258,668	3,038,872,891	241,756,607	2,797,116,284	0.446882	2,797,116,284
2008	* 3,087,588,896	191,415,397	3,279,004,293	365,023,177	2,913,981,116	0.446882	2,913,981,116
2009	3,091,012,419	190,186,408	3,281,198,827	346,224,096	2,934,974,731	0.446882	2,934,974,731
2010	2,986,569,350	179,267,541	3,165,836,891	363,395,164	2,802,441,727	0.463348	2,802,441,727
2011	3,095,960,546	168,619,714	3,264,580,260	387,551,829	2,877,028,431	0.491609	2,877,028,431

Source: Tarrant County Appraisal District (Reports)

*Note: TAD revised format of reports

TABLE 9

CITY OF BEDFORD, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2011		2002	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Marconi Communications, Inc.	$ -	- %	$ 35,098,748	1.41%
California State Teachers Ret.	-	- %	26,700,000	1.07%
CWS Barton-Shoal Creek Apartments	-	- %	25,000,000	1.00%
Shops at Central, L.P.	-	- %	23,339,259	0.94%
Team Bank	-	- %	18,491,002	0.74%
Oncor Electric Delivery	-	- %	18,370,987	0.74%
WDOP SUB I	-	- %	18,145,569	0.73%
121 Airport Centre II LP	-	- %	18,005,799	0.72%
Dallas SMSA LP	-	- %	15,862,851	0.64%
Wal-Mart Stores, Inc.	-	- %	15,590,911	0.63%
CMF 15 Portfolio, LLC	68,980,000	2.40%	-	- %
Wal-Mart Stores, Inc.	25,613,022	0.89%	-	- %
PEM 121 Airport S L.P.	19,785,419	0.69%	-	- %
Oncor Electric Delivery	19,255,870	0.67%	-	- %
WDOP SUB II	18,477,721	0.64%	-	- %
Shops Dunhill Ratel, LLC	16,421,105	0.57%	-	- %
Texas Health Resources	12,308,558	0.43%	-	- %
State National Insurance Co. Inc.	12,091,503	0.42%	-	- %
ML Casa III LP	11,684,000	0.41%	-	- %
Point Loma Woods Dallas LLC	10,750,960	0.37%	-	- %
Total	$ 215,368,158	7.49%	$ 214,605,126	8.62%

Source: Tarrant County Appraisal District (Reports)

TABLE 10

CITY OF BEDFORD, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	$ 8,579,310	$ 8,508,753	99.18%	$ 54,257	$ 8,563,010	99.81%
2003	10,171,889	10,089,495	99.19%	67,405	10,156,900	99.85%
2004	10,681,231	10,594,677	99.19%	69,470	10,664,147	99.84%
2005	10,943,466	10,854,501	99.19%	66,419	10,920,920	99.79%
2006	12,437,659	12,331,514	99.15%	82,589	12,414,103	99.81%
2007	12,665,246	12,576,174	99.30%	66,825	12,642,999	99.82%
2008	13,032,220	12,951,575	99.38%	54,027	13,005,602	99.80%
2009	13,584,386	13,447,636	98.99%	49,500	13,497,136	99.36%
2010	13,688,110	13,563,573	99.09%	23,959	13,587,532	99.27%
2011	13,897,299	13,799,107	99.29%	93,624	13,892,731	99.97%

Source: Tarrant County Appraisal District (Entity Reports)

DEBT CAPACITY

CITY OF BEDFORD, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities				
Fiscal Year	General Obligation Bonds	Contractual Obligations	Certificates of Obligation	Tax Notes	Capital Leases
2002	$ 42,250,000	$ 1,440,000	$ 19,600,795	$ -	$ -
2003	44,535,000	1,260,000	15,037,145	-	-
2004	46,430,000	1,080,000	14,260,000	-	-
2005	54,945,000	900,000	2,350,000	1,025,000	-
2006	52,340,000	720,000	1,605,000	935,000	-
2007	49,620,000	540,000	825,000	840,000	-
2008	50,635,000	360,000	-	720,000	-
2009	46,740,000	180,000	-	550,000	-
2010	47,575,000	-	-	375,000	-
2011	46,020,000	-	-	190,000	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Personal income and population information can be found in Table 16.

TABLE 11

Business-type Activities					
Water Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Total Primary Government	Percentage of Personal Income	Per Capita
$ 5,960,000	$ 1,600,000	$ 1,614,205	$ 72,465,000	4.62%	$ 1,537
5,450,000	2,895,000	42,855	69,220,000	4.69%	1,450
4,960,000	2,525,000	-	69,255,000	4.67%	1,443
4,520,000	2,100,000	-	65,840,000	4.66%	1,370
4,235,000	1,670,000	-	61,505,000	4.12%	1,266
4,000,000	1,245,000	-	57,070,000	4.13%	1,164
3,760,000	820,000	4,790,000	61,085,000	3.85%	1,235
3,580,000	390,000	4,625,000	56,065,000	3.44%	1,128
3,395,000	-	6,490,000	57,835,000	3.68%	1,231
4,150,000	-	10,810,000	61,170,000	3.77%	1,302

TABLE 12

CITY OF BEDFORD, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding					
Fiscal Year	Gross Bonded Debt	Less Debt Service	Less Debt Payable from Enterprise	Total	Percentage of Actual Taxable Value of Property	Per Capita
2002	$ 66,505,000	$ 1,651,230	$ 3,214,205	$ 61,639,565	2.46%	$ 1,307
2003	62,510,000	1,601,216	2,567,855	58,340,929	2.24%	1,222
2004	63,215,000	1,675,399	2,525,000	59,014,601	2.17%	1,229
2005	59,395,000	1,651,920	2,100,000	55,643,080	2.05%	1,158
2006	57,270,000	1,709,022	1,670,000	53,890,978	1.92%	1,109
2007	53,070,000	1,597,012	1,245,000	50,227,988	1.76%	1,024
2008	57,325,000	1,290,684	5,610,000	50,424,316	1.70%	1,020
2009	56,065,000	1,247,939	5,015,000	49,802,061	1.71%	1,002
2010	57,835,000	1,240,869	6,490,000	50,104,131	1.79%	1,067
2011	59,550,000	1,219,755	13,340,000	44,990,245	1.56%	958

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Property value data can be found in Table 8.

Population data can be found in Table 16.

TABLE 13

CITY OF BEDFORD, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2011

Taxing Jurisdiction	Taxable Assessed Value (000's) 2011/2012	Total G. O. Debt Outstanding 09/30/11	Estimated Percentage Applicable	Overlapping G. O. Debt 09/30/11
Hurst-Euless-Bedford Independent School District	$ 8,508,099	$ 313,919,534	31.36%	$ 98,445,166
Tarrant County	123,043,200	335,050,000	2.36%	7,907,180
Tarrant County College District	123,490,856	29,780,000	2.36%	702,808
Tarrant County Hospital District	123,134,886	27,160,000	2.36%	640,976
Subtotal overlapping debt		705,909,534	0.00%	107,696,130
City of Bedford	2,909,092	46,020,000	100.00%	46,020,000
Total direct and overlapping debt		$ 751,929,534		$ 153,716,130

Sources: Debt outstanding data provided by each governmental unit.

CITY OF BEDFORD, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year				
	2002	2003	2004	2005	2006
Maximum State Rate	$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000
Maximum City Rate	$ 1.500000	$ 1.500000	$ 1.500000	$ 1.500000	$ 1.500000
Less:					
General Fund - M & O Rate	0.180170	0.200481	0.213251	0.237770	0.288185
Debt Service Fund - I & S Rate	0.159191	0.183570	0.176173	0.162987	0.158697
Total assessed City Rate	0.339361	0.384051	0.389424	0.400757	0.446882
Net available City Rate	$ 1.160639	$ 1.115949	$ 1.110576	$ 1.099243	$ 1.053118
Percentage of rate assessed as a percentage of tax rate limit	22.62%	25.60%	25.96%	26.72%	29.79%

Source: Prior year financial reports for the City

Note:

Clarification of Legal Debt Margin and Maximum Ad Valorem Tax Rate - the City of Bedford does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 pupulation limits the ad valorem tax rate to $2.50 per $100 assessed valuation, for cities operating under a Home Rule Charter. The City's Charter, in Article VI, Section 6.01, provides that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds.

TABLE 14

Fiscal Year				
2007	2008	2009	2010	2011
$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000	$ 2.500000
$ 1.500000	$ 1.500000	$ 1.500000	$ 1.500000	$ 1.500000
0.288052	0.297623	0.285847	0.299096	0.309075
0.158830	0.149259	0.161035	0.164252	0.182534
0.446882	0.446882	0.446882	0.463348	0.491609
$ 1.053118	$ 1.053118	$ 1.053118	$ 1.036652	$ 1.008391
29.79%	29.79%	29.79%	30.89%	32.77%

TABLE 15

CITY OF BEDFORD, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water Revenue Bonds							
				Debt Service				
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Average Annual Debt Service	Average Requirements
2002	$ 11,514,006	$ 9,666,862	$ 1,847,144	$ 735,000	$ 146,884	2.09	$ 362,741	5.09
2003	11,823,433	10,305,682	1,517,751	510,000	342,049	1.78	342,354	4.43
2004	12,296,285	9,719,158	2,577,127	490,000	248,769	3.49	325,118	7.93
2005	13,146,374	9,859,396	3,286,978	440,000	227,633	4.92	309,550	10.62
2006	14,165,690	10,953,539	3,212,151	285,000	210,814	6.48	300,680	10.68
2007	12,333,536	10,672,129	1,661,407	235,000	198,400	3.83	309,519	5.37
2008	13,451,782	12,620,031	831,751	240,000	187,049	1.95	287,053	2.90
2009	14,539,710	12,539,272	2,000,438	180,000	176,895	5.61	286,163	7.06
2010	16,104,703	13,518,776	2,585,927	185,000	167,908	7.33	283,163	9.13
2011	19,811,255	14,552,568	5,258,687	195,000	158,533	14.87	316,165	16.63

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

DEMOGRAPHIC AND ECONOMIC INFORMATION

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TABLE 16

CITY OF BEDFORD, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Average Household Income	Median Age	School Enrollment	Unemployment Rate
2002	47,152	$ 1,568,323	$ 33,261	$ 70,000	37.1	19,500	3.9%
2003	47,750	1,476,191	30,915	72,168	37.5	19,506	3.9%
2004	48,000	1,481,520	30,865	70,953	37.5	19,461	3.4%
2005	48,050	1,412,622	29,399	69,000	37.6	19,962	4.3%
2006	48,600	1,558,894	32,076	72,397	37.7	20,248	4.4%
2007	49,050	1,381,493	28,165	66,120	37.9	20,350	3.7%
2008	49,450	1,587,542	32,104	75,508	38.2	21,000	3.6%
2009	49,700	1,628,072	32,758	76,000	38.4	20,653	6.0%
2010	49,979	1,573,186	33,487	81,109	38.9	20,537	6.8%
2011	46,979	1,620,682	34,498	75,462	34.2	20,898	6.8%

Sources: DemographicsNow
North Central Texas Council of Governments
US Census Bureau
City-Data.com
hebisd.edu/insideheb/facts_figures.asp

TABLE 17

CITY OF BEDFORD, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2011			2002	
Employer	Employees		Percentage of Total City Employment	Employees	Percentage of Total City Employment
Harris Methodist HEB Hospital	1,600	1	7.67%	1,500	6.35%
Carter Blood Care	1,100	2	5.27%	575	2.43%
Wal-Mart Supercenter	435	3	2.08%	365	1.55%
Warrantech	415	4	1.99%	411	1.74%
Boeryl	400	5	1.92%	160	0.68%
State National Insurance	400	6	1.92%	-	- %
City of Bedford	370	7	1.77%	362	1.53%
Transamerica Insurance	300	8	1.44%	-	- %
HEB ISD (Administrative Office) - (C)	250	9	1.20%	2,500	10.59%
Daystar Television Network	200	10	0.96%	-	- %
Bank One	-		- %	1,049	4.44%
Citigroup	-		- %	700	2.96%
George Grubbs Enterprises, Inc.	-		- %	200	0.85%
ADP	-		- %	200	0.85%
Nuvell/Semperian	-		- %	179	0.76%
Aloha Technologies	-		- %	175	0.74%
Albertsons Store	-		- %	155	0.66%
Park Place Motors	-		- %	150	0.64%
Cheddars	-		- %	125	0.53%
Kroger Signature Store	-		- %	105	0.44%
Total	5,470		26.21%	8,911	
Total City Employment	20,868	A		23,614	B

Note: A - Texas Workforce Commission - www.tracer2.com/cgi/dataanalysis/labForceReport.asp?

B - Estimate based on NCTCOG's 2000 data plus 1% marginal change

C - Change stat to Administrative Office only because that's only employer facility within City limits.

Source: North Central Texas Council of governments, TXU electric web-site, City of Bedford Economic Development, and Texas Workforce Commission.

OPERATING INFORMATION

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TABLE 18

CITY OF BEDFORD, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fulltime Equivalent Employees as of June 30,									
Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Management and communications	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	6.0	6.0
Finance	11.0	11.0	15.0	15.0	15.0	14.5	14.0	14.0	13.0	12.0
Municipal Court and Teen Court	11.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0
Development and planning	14.0	12.0	12.0	12.0	12.0	12.0	13.5	15.0	18.0	12.8
Library	21.5	21.5	21.5	21.5	16.4	16.4	16.4	16.4	16.4	16.4
Support services	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	11.0
Police										
Officers	76.7	76.7	79.4	87.4	84.9	84.9	82.0	82.0	83.0	86.3
Civilians	46.0	46.0	44.0	44.0	45.0	47.0	47.0	47.0	51.7	48.6
Animal control	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Fire										
Firefighters and officers	65.0	65.0	65.0	65.0	64.0	64.0	64.0	64.0	64.0	64.0
Civilians	1.0	1.0	-	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Parks and recreation										
Management and comm.	-	-	-	-	-	-	-	-	1.0	1.0
Park and recreation	32.7	42.4	47.0	46.2	41.9	41.9	42.8	42.8	41.3	37.8
Senior Citizens Center	3.6	3.6	3.6	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Tourism and special events	-	-	-	-	-	-	-	-	-	3.5
Public works										
Engineering	5.0	4.0	5.0	5.0	4.0	4.0	5.0	5.0	6.1	6.0
Water	14.0	14.0	12.0	12.0	12.6	12.6	12.6	12.6	12.0	15.0
Wastewater	11.0	11.0	11.0	11.0	11.0	11.0	10.0	10.0	10.0	8.0
Stormwater	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Streets	15.0	13.0	12.0	12.0	11.0	11.0	11.0	11.0	11.0	10.0
Fleet maintenance	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total	357.5	363.2	368.5	377.1	362.8	364.3	365.3	366.8	372.5	369.4

Source: City Budget office

TABLE 19

CITY OF BEDFORD, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Community services										
Building permits issued	244	187	150	155	89	6,051	4,925	917	762	800
Estimated cost	$ 42,113,433	$ 25,171,235	$ 20,405,916	$ 31,398,670	$ 19,962,590	$ 33,101,399	$ 23,921,329	$ 15,326,556	$ 27,144,564	$ 10,216,130
Police										
Physical arrests[a]	2,432	2,696	2,754	2,624	2,730	2,692	2,986	2,368	2,607	3,490
Parking violations[a]	5,940	6,613	6,083	3,797	3,917	3,874	4,115	91	114	150
Traffic violations	20,245	21,584	19,550	9,547	12,520	12,628	14,664	11,225	14,740	15,945
Fire[a]										
Emergency responses	4,618	4,858	5,397	5,996	6,679	7,203	7,345	7,291	7,312	7,550
Patients transported (est. 98>04)	1,703	1,892	2,102	2,112	2,208	2,444	2,474	2,478	2,462	2,628
Fires extinguished	183	201	202	250	251	237	206	132	88	145
Inspections	1,581	1,725	1,658	1,531	1,310	1,878	2,480	2,189	2,705	2,438
Culture and recreation										
Parks and recreation										
Athletic league spring teams[b]	85	92	91	34	22	8	15	42	39	12
Athletic league fall teams[b]	39	43	42	5	19	21	16	13	13	10
Community center registration[b]	3,471	3,773	3,721	1,663	3,166	3,593	3,562	4,154	3,666	3,633
Annual recreation revenue	$ 220,021	$ 239,133	$ 235,842	$ 121,900	$ 152,796	$ 178,490	$ 209,346	$ 268,871	$ 267,648	$ 281,047
Library										
Population served	47,152	48,378	48,378	48,417	48,600	49,050	49,450	49,700	49,700	46,979
Number of library visits	207,590	219,227	239,342	162,423	178,319	226,092	252,319	271,764	256,674	279,991
Volumes in collection	121,697	132,078	108,380	107,807	106,068	105,389	101,935	101,179	99,104	101,395
Total volumes borrowed	362,996	377,468	393,156	292,827	344,529	460,782	496,144	511,186	525,401	552,737
Turnover rate	3.0%	2.9%	3.6%	2.7%	3.3%	4.4%	4.9%	5.1%	5.8%	5.5%
Total operating expenditures	$ 1,028,728	$ 979,966	$ 1,007,366	$ 799,751	$ 904,536	$ 985,787	$ 1,015,766	$ 1,037,121	$ 1,141,421	$ 1,089,441
Cost per population served	$ 21.82	$ 20.26	$ 20.82	$ 16.52	$ 18.61	$ 20.10	$ 20.54	$ 20.87	$ 22.96	$ 21.92
Total paid staff (FTE)	21.53	21.53	21.53	21.53	16.38	16.38	16.38	16.38	16.38	16.38
Public works										
Street repair - asphalt sq. yard	298	2,037	512	1,779	2,020	2,018	1,494	2,150	3,055	40,988
Street repair - concrete sq. yard	28	33	299	195	249	782	73	311	602	22,661
Sidewalk installation/repairs - sq.yard	8,802	5,302	5,611	6,996	4,252	15,555	22,483	32,913	4,947	1,684
Water and sewer										
New connections - water[c]	110	111	129	93	91	65	127	(23)	(31)	36
New connections - sewer[c]	115	130	117	57	111	60	3	27	(14)	63
Water main breaks	23	12	18	42	57	31	20	21	24	39
Stated in thousands of gallons:										
Average daily consumption	7,126	7,747	7,220	7,544	9,209	7,313	8,592	8,194	7,600	8,988
Peak daily consumption	16,420	17,482	14,580	12,107	16,300	14,529	16,476	14,168	12,932	16,232

Source: Various City departments

Notes: a - 1999 through 2000 are estimates based on subsequent history
b - 1999 through 2004 are estimates based on 2005 before rollback
c - 1999 through 2002 are estimates.

TABLE 20

CITY OF BEDFORD, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	9	9	9	15	15
Other units: CID-SWAT-PSO	47	47	47	47	47	47	47	47	58	58
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire equipment units	5	5	5	5	5	5	5	5	5	5
EMS units	4	4	4	4	4	4	4	4	4	4
Other units	11	11	11	11	11	11	11	11	11	11
Regional grant units - Homeland Security	-	-	2	11	11	11	11	11	11	11
Other public works										
Streets (miles[a]	401.0	417.0	428.0	454.0	460.0	460.0	460.0	460.0	460.0	460.0
Streetlights[a]	1,589	1645	1675	1,700	1,725	1,725	1,735	1,737	1,738	1,738
Traffic signals	23	23	23	24	24	24	24	24	24	24
Parks and recreation										
Park acreage	150	150	150	150	150	150	150	150	150	150
Playgrounds	12	12	12	12	12	17	17	17	17	17
Swimming pools	2	2	2	2	2	3	3	3	3	3
Soccer/football fields	6	6	6	6	6	6	6	6	6	6
Community centers	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	145.0	146.0	146.0	147.0	147.0	147.0	147.0	147.0	147.0	147.0
Fire hydrants[a]	1,230	1,315	1,350	1,380	1,400	1,425	1,425	1,425	1,425	1,425
Storage capacity										
(one ground well - 250,000 gallons)	6,225	6,225	6,225	6,225	6,225	6,225	6,225	6,225	5,250	5,250
(elevated storage = 5 million gallons)										
Stormwater										
Storm sewers (miles)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Source: Various City departments

Note: a - Years 2002 through 2004 are estimates

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SINGLE AUDIT SECTION

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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 Mayor and Members of City Council
City of Bedford, Texas
Bedford, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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TEMPLE, TX (254) 791-3460 ■ ALBUQUERQUE, NM (505) 266-590

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the executive committee, management, others within the entity, and appropriate 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.

Pattillo, Brown & Hill, L.L.P.

February 24, 2012

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Members of City Council
City of Bedford, Texas
Bedford, Texas

Compliance

We have audited the compliance of the City of Bedford, Texas (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit 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 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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Internal Control Over Compliance

Management of the City of Bedford, Texas 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 the requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the City Council and management of the City of Bedford, Texas, others within the City, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

February 24, 2012

CITY OF BEDFORD, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
U. S. Department of Justice			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	2009-562	$ 5,687
Total Direct Program			5,687
Total U. S. Department Justice			5,687
U. S. Department of Transportation			
Passed through the Texas Department of Transportation:			
Traffic Safety Program	20.600	580EGF6196	21,033
Total Passed through the Texas Department of Transportation			21,033
Total U. S. Department of Transportation			21,033
U. S. Department of Energy			
Passed through State Energy Conservation Office:			
State Energy Program - ARRA	81.041	CS0031-EE0000116	1,508,779
State Energy Program - ARRA	81.041	CS0066-EE0000116	44,936
Total State Energy Conservation Office			1,553,715
Total U. S. Department of Energy			1,553,715
U.S. Department of Homeland Security			
Passed through the Texas Department of Public Safety:			
Homeland Security Grant Program FY2009	97.008	09-SR-7132-05	13,216
Assistance to Firefighters Grant	97.044	EMW-2010-FO-09566	89,665
Citizens Corps Grant FY2009	97.053	09-SR-7132-03	83,524
Total Texas Department of Public Safety			186,405
Total U. S. Department of Homeland Security			186,405
Total Federal Awards			$ 1,766,840

The accompanying notes are an integral part of this schedule.

CITY OF BEDFORD, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2011

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City of Bedford, Texas. The City's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations.* Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CITY OF BEDFORD, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Summary of Auditors' Results

Financial Statements:	
Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' 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 OMB Circular A-133?	None
Identification of major programs:	
CFDA Number(s)	Name of Federal Program or Cluster:
#81.041	State Energy Program ARRA
Dollar threshold used to distinguish between type A and type B programs	$300,000
Auditee qualified as low-risk auditee under Section 510(a) of OMB Circular A-133?	No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

CITY OF BEDFORD, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

None