

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

EXAMINATION REPORT

OF

CITY OF BEECH GROVE

MARION COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
08/21/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Overdrawn Cash Balances.....	8
Receipt Deposits.....	8
Appropriations.....	8
Capital Asset Records	9
Service and Time Records	9
Annual Report.....	9
Exit Conference.....	10
Official Responses	11-14

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary A. Carpenter Sarah M. Kincaid	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	Honorable Donald J. Wright	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Honorable Donald J. Wright	01-01-07 to 12-31-08
President of the Common Council	Ingle Harris, III Ross Barton	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Utility Operations Director	Sam Merl	01-01-07 to 12-31-08
Utility Office Manager	Linda Mohr	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BEECH GROVE, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the City of Beech Grove (Town), for the period of January 1, 2007 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 8, 2008

CITY OF BEECH GROVE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 807,216	\$ 10,068,253	\$ 10,459,166	\$ 416,303
Rainy Day	21,323	-	-	21,323
Mayor's Donation	9,328	19,427	19,596	9,159
Motor Vehicle Highway	196,532	816,554	915,059	98,027
Local Road and Street	68,706	205,873	228,552	46,027
Parks Nonreverting	11,501	-	-	11,501
Parks - Softball	1,218	-	-	1,218
Parks Donation	8,033	46,622	40,296	14,359
Senior Citizens Donation	32,323	4,456	5,464	31,315
Police Donation	4,036	44,994	45,163	3,867
Fire Donation	3,137	49,423	52,123	437
Cable Donation	101	-	-	101
Police/Fire Trust	2,530	-	-	2,530
Law Enforcement Continuing Education	17,373	10,470	12,017	15,826
2006 Bond Issue	171,559	-	141,503	30,056
Cumulative Capital Development	2,276	8,744	-	11,020
Revolving Loan	208,759	139,410	244,340	103,829
Criminal Investigation	108,300	158,294	154,610	111,984
RDAF - Debt Service Reserve	289,660	290,305	110	579,855
RDAF - General Account	293,059	529,692	390,299	432,452
RDAF - 2005 Bond Capital	890,910	2,698,946	2,315,311	1,274,545
Proprietary Funds:				
Sewage Utility Operating	495,034	2,602,096	2,717,330	379,800
Utility Bond and Interest	68,089	190,662	190,061	68,690
Utility Construction	314	-	-	314
Utility Bond and Interest Reserve	92,723	42,957	-	135,680
SRF Retainage	93,572	15,926	109,498	-
Fiduciary Funds:				
Health - Retirees	108	45,234	46,374	(1,032)
Fire Pension	189,871	288,144	460,195	17,820
Police Pension	2,403	517,149	501,377	18,175
Payroll	61,632	6,545,011	6,555,336	51,307
Totals	<u>\$ 4,151,626</u>	<u>\$ 25,338,642</u>	<u>\$ 25,603,780</u>	<u>\$ 3,886,488</u>

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

On January 11, 2008, the City of Beech Grove issued a tax anticipation warrant for \$2,450,000 payable on December 31, 2008.

CITY OF BEECH GROVE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Dump Truck - 2006	\$ 28,928	\$ 8,584
Street Sweeper - 2006	123,432	38,222
Emergency Property Tax Loan - 2000	202,058	58,585
Bonds payable:		
General obligation bonds:		
2002 Issue - City Equipment and Improvement	520,000	95,395
2006 Issue - Public Safety	945,000	230,414
Revenue bonds:		
2005 Tax Incremental Funding - Redevelopment	2,820,000	288,096
2007 Tax Incremental Funding - Redevelopment	<u>2,995,000</u>	<u>139,333</u>
Total governmental activities long-term debt	<u>\$ 7,634,418</u>	<u>\$ 858,629</u>
Business-type Activities:		
Wastewater Utility		
Capital leases:		
Trash Truck - 2006	142,678	53,271
Trash Totes - 2006	168,210	62,804
State Revolving Fund Loan	1,740,929	Note 1
Revenue bonds:		
Indianapolis DPW 1995	102,945	59,631
2005A Issue	<u>834,102</u>	<u>40,060</u>
Total business-type activities long-term debt:	<u>\$ 2,988,864</u>	<u>\$ 215,766</u>

Note 1 - The State revolving Fund loan was approved in 2004 for a total amount of \$1,880,898. As of December 31, 2007 the total amount of the loan has not been drawdown and a repayment schedule has not been finalized. The City began repayment of the principal amount as required by the loan agreement in January 2006.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Retirees Health Fund was overdrawn as of December 31, 2007. The overdrawn balance was due to the City collecting an incorrect amount from the retirees during 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT DEPOSITS

The Beech Grove Senior Citizens Center does not remitted collections to the Clerk-Treasurer's office on a daily basis and there is no accounting for the amount remitted as receipts are not written by the Center. While the money remains at the Senior Citizens Center, the collections are used to make change when exact change is not remitted.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Fire Pension	\$ 15,314
Police Pension	6,063

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The City's and the Wastewater Utility's capital asset records include equipment only, and excludes land, buildings, improvements other than buildings and infrastructure. A similar comment appeared in several prior reports.

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

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained and presented for audit for all officers and employees. Of those time records provided, 68% were not authorized or approved by the supervisor of the pertinent division or department. In addition, the Police Department is using an internal form to keep track of employee leave times rather than using the General Payroll Form 99A, Employee's Service Record.

Indiana Code 5-11-9-4(b) states in part: ". . . The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees . . ."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The 2007 annual report was not published within the required 60 days.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CITY OF BEECH GROVE
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2008, with Sarah Kincaid, Clerk-Treasurer; and Honorable Donald J. Wright, Mayor. The official response has been made a part of this report and may be found on pages 11 and 12.

The contents of this report were discussed on July 9, 2008, with Mary A. Carpenter, former Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 13 and 14.



July 14, 2008

State Board of Accounts
State of Indiana
302 West Washington Street, Room E418
Indianapolis, Indiana 46204

**RE: Response to SBA Audit
City of Beech Grove, Indiana**

Ladies and Gentlemen:

This letter will serve as my response to the ~~Draft Audit Report which we recently received~~ for the above referenced audit period. We appreciate your consideration of this response and its inclusion in your final report. This response will be organized by category as listed in the Audit.

Overdrawn cash balances

The retirees' health fund was a known issue and one that both the Mayor and I were aware of at the beginning of 2008. Each retiree is responsible for paying the city their portion of their premium. This is set at different rates depending upon the marital status/persons the retiree is supporting under their health plan. Prior to the beginning of my administration on January 1, 2008, the proper amount each retiree needs to contribute to meet their portion of the premium has not been clearly conveyed to them. Due to this shortfall and lack of incoming premium, the retiree healthcare fund was making up the difference. After much digging and investigating, this problem has been noted and the city is working to rectify this for 2008 and beyond. Letters have been sent to retirees and both me and the department heads are working with retirees to ensure they are aware of the new amount they are to contribute to uphold their portion of the premium.

Receipt deposits

The auditor met with both Carla Marchbanks, the director of the Senior Center, and me to discuss this problem at length. The Senior Center was not aware of the importance of daily receipts for all rides given or that the money must be taken to City Hall for daily depositing. After the meeting Carla assured me that money would be brought down daily and procedures would be put in place to receipt all money from rides. Since this has been pointed out by the auditor, full compliance on this issue is now being met by the Senior Center.

Service and Time Records

At the time of examination of records the auditors explained the deficiency noted about time and service records. On that day the Clerk Treasurer's office contacted all department heads to ensure that biweekly time sheets be properly filled out and signed/dated by department heads. To date this procedure has been followed and I am confident this will not be an issue in 2008.

After the exit interview I spoke with Rich Witmer, Chief of Police, about the deficiency in time sheets, specifically the leave times for employees. Chief Witmer understands the importance of ensuring time and leave records are kept on State Board of Accounts approved forms, and I am confident this will not be an issue after our conversation yesterday. Use of the State Board of Accounts prescribed or approved forms have now been implemented for use at the Police Department.

317-788-4978 phone • 806 Main Street, Beech Grove, IN 46107 • 317-788-4976 fax

Appropriations

Both the Fire Pension and Police Pension funds were under budgeted and resulted in excess amounts to be expended. Based on budget meetings with both the Police Chief and the Fire Chief, additional planning has been done to try to avoid this issue for 2008. Additionally, the Fire Pension Fund met unforeseen duress as a firefighter retired in 2007. Such an event is not easy to plan, and serves to explain a large portion of the overspent appropriation in the Fire Pension Fund.

Capital Asset Records

Incomplete capital asset records have been noted in prior audits and in the exit interview the Mayor noted that software was purchased in 2005 via Keystone to ensure the capital assets for the City of Beech Grove are accounted for accurately. I have just received training on this software and assets will be accounted for at the next time of audit.

Annual Report

Several items from 2007 needed additional research and information was sought and disseminated to ensure that excess expenses in funds and overdrawn funds do not continue to occur. As well, the additional time was used to find, organize, and collect information from vendors and liaisons to ensure my files are complete and accurate. I am confident the report will be filed on time via electronic format in 2009.

Sincerely,



Sarah M. Kincaid
Clerk Treasurer
City of Beech Grove

FROM THE DESK OF
Mary A. Carpenter

July 17, 2008

Audit Comments Response
Indiana State Board of Accounts
302 West Washington Street
Indianapolis, IN 46204

Dear Indiana State Board of Accounts,

This letter is written in response to the "Audit Results and Comments" for the City of Beech Grove, Indiana 2007 audit, the last audit for which I am responsible.

OVERDRAWN CASH BALANCES

I was not invited and therefore not present at any insurance meetings. I had to rely on the information given to me by the insurance representative, which I now know did not include an amount for the Retirees prescription benefit.

RECEIPT DEPOSITS

The employees at the Senior Center were instructed on more than one occasion that they were to deposit with the Clerk-Treasurer's office, on a daily basis, any money received. They did not collect money every day so it was their responsibility to bring it to the Clerk's office when they did.

SERVICE AND TIME RECORDS

Since I was not present to participate in the audit I do not know whose time cards were not presented for audit or why they weren't provided to the audit staff.

APPROPRIATIONS

There were unexpected employee retirements during the year of 2007 which were not accounted for when the budget was made.

CAPITAL ASSET RECORDS

The Clerk-Treasurer's office recorded all assets that were presented by the head of each department. I asked for a listing of the buildings, land etc. that were not recorded but did not receive them. I would suggest that the City should hire a knowledgeable person

to inventory and put a value on land, buildings, infrastructure and improvements other than buildings to provide to the Clerk's office to bring the records up to date.

ANNUAL REPORT

I was not asked to participate in the preparation of the Annual Report and did not know that it had not been filed in the proper time frame until after the fact. All other Annual Reports during my tenure were filed by the required date.

Sincerely,



Mary A. Carpenter
Clerk-Treasurer 2004-2008
City of Beech Grove