

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF BEECH GROVE

MARION COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
10/30/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	F. Daniel McMillan	01-01-12 to 12-31-15
Mayor	Honorable Dennis Buckley	01-01-12 to 12-31-15
Common Council President Pro Tem	Edward Bell	01-01-12 to 12-31-13
President of the Board of Public Works and Safety	Honorable Dennis Buckley	01-01-12 to 12-31-13
Judge	Honorable Andrew Wells	01-01-12 to 12-31-15



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Beech Grove (City), for the year ended December 31, 2012. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

Bruce Hartman
State Examiner

September 17, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF BEECH GROVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL	\$ 9,266	\$ 11,035,203	\$ 10,990,377	\$ 54,092
MOTOR VEHICLE HIGHWAY	954	757,761	754,427	4,288
LOCAL ROAD & STREET	921	203,028	166,525	37,424
PARKS NON-REVERTING	4,301	-	570	3,731
LOCAL LAW ENFORCEMENT	21,217	16,966	13,848	24,335
CLERK RECORD PERPETUATION	-	3,084	-	3,084
PARK DONATION	999	1,948	346	2,601
RAINY DAY FUND	55,133	137,886	-	193,019
LEVY EXCESS FUND	25	-	-	25
CUMULATIVE CAPITAL DEVELOP	2,835	-	-	2,835
POLICE PENSION	92,753	512,970	589,208	16,515
FIRE PENSION	91,846	325,512	352,911	64,447
PUBLIC SAFETY	83,142	1,010,866	947,429	146,579
MAYOR'S DONATION	104	10,051	7,968	2,187
RDAF ALLOCATION/GENERAL	110	-	110	-
CRIMINAL INVESTIGATION	215,274	331,981	381,142	166,113
HEALTH-RETIREEES	14,003	107,104	107,465	13,642
PARKS-SOFTBALL	1,218	-	1,218	-
HEART MONITOR GRANT	-	110,200	110,200	-
SENIOR CITIZENS DONATION	27,538	4,350	13,157	18,731
POLICE DONATION	3,252	4,312	3,451	4,113
FIRE DONATION	3,109	2,100	3,106	2,103
POLICE/ 2012 GRANT	-	88,380	644	87,736
CABLE DONATION	102	-	102	-
2006 BOND ISSUE	20,596	-	20,596	-
2012 BOND ISSUE	-	1,964,563	1,491,305	473,258
BOND AND INTEREST REDEMPT	(57,944)	371,396	234,890	78,562
INSURANCE-FIRE TRUCK REPAIR	473	2,714	-	3,187
INS REIMBURSEMENT MAILBOX	2,224	-	2,224	-
2012 INSURANCE REIMBURSEMENT	-	79,459	79,459	-
BGPD/ INS. REIMBURSEMENT	-	10,309	10,309	-
RDAF-DEBT SERVICE RESERVE	584,356	693	400	584,649
RDAF-GENERAL ACCOUNT	124,011	892,260	419,102	597,169
PAYROLL BAL.END OF 2004	262	-	262	-
PAYROLL	53,659	6,713,816	6,751,534	15,941
POLICE/FIRE TRUST	2,530	-	-	2,530
REVOLVING LOAN	99,364	20,483	38,676	81,171
SEWAGE UTILITY OPERATIN	347,570	2,562,266	2,278,159	631,677
SW AUCTION PROCEEDS	-	105,707	-	105,707
UTILITY BOND & INTEREST	-	46,812	46,812	-
UTILITY CONSTRUCTION	314	-	-	314
UTILITY B&I RESERVE	93,682	42,496	-	136,178
SRF BEECH GROVE DSR	136,178	-	-	136,178
SRF BEECH GROVE B&I ESCROW	-	153,185	68,089	85,096
CITY COURT	4,546	287,756	272,247	20,055
Totals	\$ 2,039,923	\$ 27,917,617	\$ 26,158,268	\$ 3,799,272

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	PARKS NON-REVERTING	LOCAL LAW ENFORCEMENT	CLERK RECORD PERPETUATION	PARK DONATION
Cash and investments - beginning	\$ 9,266	\$ 954	\$ 921	\$ 4,301	\$ 21,217	\$ -	\$ 999
Receipts:							
Taxes	3,659,285	226,805	-	-	5,863	-	-
Licenses and permits	63,379	-	-	-	6,980	-	-
Intergovernmental	2,313,085	530,457	203,028	-	-	-	-
Charges for services	540,541	-	-	-	4,023	-	1,328
Fines and forfeits	87,662	-	-	-	-	3,084	-
Utility fees	-	-	-	-	-	-	-
Other receipts	4,371,251	499	-	-	100	-	620
Total receipts	<u>11,035,203</u>	<u>757,761</u>	<u>203,028</u>	<u>-</u>	<u>16,966</u>	<u>3,084</u>	<u>1,948</u>
Disbursements:							
Personal services	5,692,624	447,050	-	-	-	-	-
Supplies	224,533	82,375	48,798	-	-	-	346
Other services and charges	4,165,810	225,002	360	570	13,848	-	-
Debt service - principal and interest	5,055	-	-	-	-	-	-
Capital outlay	763,970	-	117,367	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	138,385	-	-	-	-	-	-
Total disbursements	<u>10,990,377</u>	<u>754,427</u>	<u>166,525</u>	<u>570</u>	<u>13,848</u>	<u>-</u>	<u>346</u>
Excess (deficiency) of receipts over disbursements	<u>44,826</u>	<u>3,334</u>	<u>36,503</u>	<u>(570)</u>	<u>3,118</u>	<u>3,084</u>	<u>1,602</u>
Cash and investments - ending	<u>\$ 54,092</u>	<u>\$ 4,288</u>	<u>\$ 37,424</u>	<u>\$ 3,731</u>	<u>\$ 24,335</u>	<u>\$ 3,084</u>	<u>\$ 2,601</u>

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	RAINY DAY FUND	LEVY EXCESS FUND	CUMULATIVE CAPITAL DEVELOP	POLICE PENSION	FIRE PENSION	PUBLIC SAFETY	MAYOR'S DONATION
Cash and investments - beginning	\$ 55,133	\$ 25	\$ 2,835	\$ 92,753	\$ 91,846	\$ 83,142	\$ 104
Receipts:							
Taxes	-	-	-	1,876	19,028	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	511,094	306,484	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	137,886	-	-	-	-	1,010,866	10,051
Total receipts	137,886	-	-	512,970	325,512	1,010,866	10,051
Disbursements:							
Personal services	-	-	-	589,208	352,911	-	-
Supplies	-	-	-	-	-	-	7,448
Other services and charges	-	-	-	-	-	947,429	520
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	589,208	352,911	947,429	7,968
Excess (deficiency) of receipts over disbursements	137,886	-	-	(76,238)	(27,399)	63,437	2,083
Cash and investments - ending	\$ 193,019	\$ 25	\$ 2,835	\$ 16,515	\$ 64,447	\$ 146,579	\$ 2,187

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	RDAF ALLOCATION/GENERAL	CRIMINAL INVESTIGATION	HEALTH-RETIREEES	PARKS-SOFTBALL	HEART MONITOR GRANT	SENIOR CITIZENS DONATION
Cash and investments - beginning	\$ 110	\$ 215,274	\$ 14,003	\$ 1,218	\$ -	\$ 27,538
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	110,200	-
Charges for services	-	331,877	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	104	107,104	-	-	4,350
Total receipts	-	331,981	107,104	-	110,200	4,350
Disbursements:						
Personal services	-	-	107,465	-	-	-
Supplies	110	-	-	1,218	110,200	-
Other services and charges	-	381,142	-	-	-	13,157
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	110	381,142	107,465	1,218	110,200	13,157
Excess (deficiency) of receipts over disbursements	(110)	(49,161)	(361)	(1,218)	-	(8,807)
Cash and investments - ending	\$ -	\$ 166,113	\$ 13,642	\$ -	\$ -	\$ 18,731

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	POLICE DONATION	FIRE DONATION	POLICE/ 2012 GRANT	CABLE DONATION	2006 BOND ISSUE	2012 BOND ISSUE	BOND AND INTEREST REDEMP
Cash and investments - beginning	\$ 3,252	\$ 3,109	\$ -	\$ 102	\$ 20,596	\$ -	\$ (57,944)
Receipts:							
Taxes	-	-	-	-	-	-	130,486
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	88,380	-	-	-	92,134
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	4,312	2,100	-	-	-	1,964,563	148,776
Total receipts	4,312	2,100	88,380	-	-	1,964,563	371,396
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	3,106	644	-	-	-	-
Other services and charges	3,451	-	-	-	20,596	1,491,305	-
Debt service - principal and interest	-	-	-	-	-	-	234,390
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	102	-	-	500
Total disbursements	3,451	3,106	644	102	20,596	1,491,305	234,890
Excess (deficiency) of receipts over disbursements	861	(1,006)	87,736	(102)	(20,596)	473,258	136,506
Cash and investments - ending	\$ 4,113	\$ 2,103	\$ 87,736	\$ -	\$ -	\$ 473,258	\$ 78,562

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	INSURANCE- FIRE TRUCK REPAIR	INS REIMBURSEMENT MAILBOX	2012 INSURANCE REIMBURSEMENT	BGPD/ INS. REIMBURSEMENT	RDAF-DEBT SERVICE RESERVE	RDAF-GENERAL ACCOUNT	PAYROLL BAL.END OF 2004
Cash and investments - beginning	\$ 473	\$ 2,224	\$ -	\$ -	\$ 584,356	\$ 124,011	\$ 262
Receipts:							
Taxes	-	-	-	-	-	885,910	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,714	-	79,459	10,309	693	6,350	-
Total receipts	2,714	-	79,459	10,309	693	892,260	-
Disbursements:							
Personal services	-	-	-	-	-	-	262
Supplies	-	2,224	-	-	-	-	-
Other services and charges	-	-	79,459	10,309	-	-	-
Debt service - principal and interest	-	-	-	-	400	288,744	-
Capital outlay	-	-	-	-	-	1,105	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	129,253	-
Total disbursements	-	2,224	79,459	10,309	400	419,102	262
Excess (deficiency) of receipts over disbursements	2,714	(2,224)	-	-	293	473,158	(262)
Cash and investments - ending	\$ 3,187	\$ -	\$ -	\$ -	\$ 584,649	\$ 597,169	\$ -

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	PAYROLL	POLICE/FIRE TRUST	REVOLVING LOAN	SEWAGE UTILITY OPERATIN	SW AUCTION PROCEEDS	UTILITY BOND & INTEREST
Cash and investments - beginning	\$ 53,659	\$ 2,530	\$ 99,364	\$ 347,570	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	20,483	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	2,220,251	-	-
Other receipts	6,713,816	-	-	342,015	105,707	46,812
Total receipts	<u>6,713,816</u>	<u>-</u>	<u>20,483</u>	<u>2,562,266</u>	<u>105,707</u>	<u>46,812</u>
Disbursements:						
Personal services	6,751,534	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	38,676	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	251,474	-	-
Utility operating expenses	-	-	-	1,498,926	-	-
Other disbursements	-	-	-	527,759	-	46,812
Total disbursements	<u>6,751,534</u>	<u>-</u>	<u>38,676</u>	<u>2,278,159</u>	<u>-</u>	<u>46,812</u>
Excess (deficiency) of receipts over disbursements	<u>(37,718)</u>	<u>-</u>	<u>(18,193)</u>	<u>284,107</u>	<u>105,707</u>	<u>-</u>
Cash and investments - ending	<u>\$ 15,941</u>	<u>\$ 2,530</u>	<u>\$ 81,171</u>	<u>\$ 631,677</u>	<u>\$ 105,707</u>	<u>\$ -</u>

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	UTILITY CONSTRUCTION	UTILITY B&I RESERVE	SRF BEECH GROVE DSR	SRF BEECH GROVE B&I ESCROW	CITY COURT	Totals
Cash and investments - beginning	\$ 314	\$ 93,682	\$ 136,178	\$ -	\$ 4,546	\$ 2,039,923
Receipts:						
Taxes	-	-	-	-	-	4,929,253
Licenses and permits	-	-	-	-	-	70,359
Intergovernmental	-	-	-	-	-	4,154,862
Charges for services	-	-	-	-	-	898,252
Fines and forfeits	-	-	-	-	-	90,746
Utility fees	-	-	-	-	-	2,220,251
Other receipts	-	42,496	-	153,185	287,756	15,553,894
Total receipts	-	42,496	-	153,185	287,756	27,917,617
Disbursements:						
Personal services	-	-	-	-	-	13,941,054
Supplies	-	-	-	-	-	481,002
Other services and charges	-	-	-	-	272,247	7,663,881
Debt service - principal and interest	-	-	-	-	-	528,589
Capital outlay	-	-	-	-	-	1,133,916
Utility operating expenses	-	-	-	-	-	1,498,926
Other disbursements	-	-	-	68,089	-	910,900
Total disbursements	-	-	-	68,089	272,247	26,158,268
Excess (deficiency) of receipts over disbursements	-	42,496	-	85,096	15,509	1,759,349
Cash and investments - ending	\$ 314	\$ 136,178	\$ 136,178	\$ 85,096	\$ 20,055	\$ 3,799,272

CITY OF BEECH GROVE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 292,014	\$ -
City of Beech Grove Wastewater	63,927	52,341
Totals	\$ 355,941	\$ 52,341

CITY OF BEECH GROVE
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Gordon Flesch	3 Copiers - Clerks Office Police Department and Fire Department	\$ 5,001	10-01-11	09-30-16
Sharp	Copier - at Community Center	<u>486</u>	03-15-08	03-15-13
Total governmental activities		<u>5,487</u>		
City of Beech Grove Wastewater:				
Regions Equipment Finance	Regions (Capital Lease - 2 Trash Trucks)	<u>76,475</u>	10-02-12	08-02-17
Total City of Beech Grove Wastewater		<u>76,475</u>		
Total of annual lease payments		<u>\$ 81,962</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2002 GO Bond	\$ 50,000	\$ 51,050
General obligation bonds	2012 General Obligation Bond	1,995,000	73,766
Notes and loans payable	Redevelopment TIF 2005	1,845,000	282,569
Notes and loans payable	Redevelopment TIF 2007	<u>2,335,000</u>	<u>286,765</u>
Total governmental activities		<u>6,225,000</u>	<u>694,150</u>
City of Beech Grove Wastewater:			
Revenue bonds	2005A - City of Beech Grove Sewage Works Revenue Bond	649,102	70,741
Notes and loans payable	SRF Loan City of Beech Grove Project # WW0509491	<u>1,353,074</u>	<u>137,784</u>
Total City of Beech Grove Wastewater		<u>2,002,176</u>	<u>208,525</u>
Totals		<u>\$ 8,227,176</u>	<u>\$ 902,675</u>

CITY OF BEECH GROVE
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 1,500,000
Infrastructure	22,737,127
Buildings	12,680,522
Improvements other than buildings	133,866
Machinery, equipment, and vehicles	4,244,963
Construction in progress	412,000
Total governmental activities	41,708,478
City of Beech Grove Wastewater:	
Infrastructure	88,872,500
Improvements other than buildings	124,363
Machinery, equipment, and vehicles	366,000
Total City of Beech Grove Wastewater	89,362,863
Total capital assets	\$ 131,071,341

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2012 contained a number of errors and did not properly reflect the financial activity of the City of Beech Grove.

- The City did not report Federal Expenditures of \$498,967 as part of the 2012 report.
- The City did not include the activity of the Cable Donation Fund, SRF Beech Grove DSR Fund, SRF Beech Grove B & I Fund, or the City Court Activity in the 2012 Annual Report. Adjustments were recommended and accepted by management to report the activity of these funds in the financial statement presented.
- The City did not include the outstanding accounts receivable balances for the Main Street Loan Revitalization loans on the Schedule of Receivables and Payables.
- The City did not provide proper documentation to support the amounts listed on the Schedule of Capital Assets.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CONDITION OF RECORDS

Financial records presented for examination identified deficiencies as follows:

- A negative receipt, number 18258, was issued on December 12, 2012, for \$1,218.30 and posted to the Parks Softball Fund. This was for a transfer approved by the Park Board to close the fund. The funds were observed as being receipted into the Park Donation Fund with receipt number 18259.
- The Cable Donation Fund was reported on the City's fund report with a balance of \$101.88 as of December 20, 2012. Fund reports observed after that date did not include the fund. The Clerk-Treasurer's office did not provide information concerning the activity of the fund.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- The City did not properly maintain the loan payment records for the Main Street Revitalization Loan program for 2012. Errors included incorrect calculations of interest due, late fees, and the outstanding balances between 2011 and 2012. Due to the errors, the City was not able to determine the accounts receivable balance for the loans. A comment related to this issue was cited in prior Report B41939.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not include the funds held by BNY-Mellon Bank for the State Revolving Loan Funds (SRF).

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Amount Expended</u>
General	<u>\$ 793,097</u>

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
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2013, with F. Daniel McMillian, Clerk-Treasurer; Honorable Dennis Buckley, Mayor; and Edward Bell, Common Council President Pro Tem. The Official Response has been made a part of this report and may be found on pages 27 through 29.



September 20, 2013

To: State Board of Accounts

CC: Dennis Buckley, Mayor
City of Beech Grove, IN

From: Dan McMillan, Clerk Treasurer
City of Beech Grove, IN

RE: 2012 Audit

First, I would like to thank the State Board of Accounts and the Auditor for their time spent with the City of Beech Grove. I welcome their audits, because I believe that they provide a great service to the city and the taxpayer. Their audits provide us with an overview of our accounting procedures and they make recommendations as to where improvement is needed. I have attached my response to the 2012 audit. I take full responsibility for any errors included in this audit and my office will work diligently to correct our mistakes. My response is listed below.

Annual Report

- I did not report the grants received by the Fire & Police Departments as Federal expenditures on the Annual Report. All monies receipted in and disbursements paid out are included in the Annual Report, but I failed to list those as Federal Expenditures.
- The Cable Donation Fund of \$101.88 was missing from the Annual Report and we were not able to track that. It was a fund that had not had any activity in years. I believe we deleted that fund number, thus the money reverted back into the General Fund.
- This year the auditor found \$136,178.00 that the City of Beech Grove has in the Bank of New York Mellon. That money is in a reserve account tied to the State Revolving Fund Loan (SRF) from 2004. The contract on this loan requires that the city keep one year of payments in

reserve; which is equal to \$ 136, 178.00. Very similar to the RDC Debt Service account. None of these monies can be spent until the bonds/loans are paid in full. Somehow through the years, this money ceased being reported, not intentionally, but in error. That account will be added as an additional bank account to “Keystone” our accounting system and balanced each month. This will prevent this from ever happening again in the future and should be an improvement we see in next year’s audit.

- There was no Bond & Interest Fund established for 2012. For 2013, I did establish a Bond & Interest Fund (B&I) for the SRF. That should be an improvement we see in next year’s audit. Money will be appropriated and transferred from the “606 Sewage” each year that is sufficient to cover these payments.
- I erred in not reporting the court finances on the Gateway.
- I erred in not reporting the Main Street Loans “accounts receivable balance” on the *Schedule of Receivable and Payables*. We did not have an accurate amount, so rather than report it incorrectly, I did not report it. Since, this administration took office in 2012 we have discontinued lending money in this program. We have been actively pursuing the monies that are in default on these loans and some have filed bankruptcy, but we did not improve the bookkeeping to where it needs to be. I have decided to ask Jeff Peters, the Financial Consultant for the city to assist us and give us direction on how to properly record the transactions of this program. Mr. Peters believes he can correct the bookkeeping errors and set up spreadsheets that will be compliant with SBOA. This program has had problems for years.
- We conducted the first ever (in recent history) Capital Assets Inventory and we made some mistakes. For an example; City Ordinance states that only assets with a \$2,000 or more value are to be reported. We reported everything. We are in the process of correcting this and making other corrections. We inventoried everything because it was useful for insurances purposes. The inventory is kept up to date by adding new items when they are purchased and deleting items that are surpluses. We hope to see an improvement with this item on our audit next year.

Condition of Records

- The negative receipt should have been recorded as a transfer. It did not change the actual dollar amount, but the accounting procedure was incorrect.
- Cable Donation Fund- please see response under Annual Report
- Main Street Loans-please see response under Annual Report

Bank Account Reconciliations

- SRF Reserve- please see response listed under Annual Report

Appropriations

- **General Fund expenditures exceeded \$793,097**

We have expenditures that are not appropriated. They include expenditures with the court, the ambulance, insurance reimbursements, and deposit refunds from the Community Center. All departments came in “under budget”. I believe this amount is attributed to non-appropriated expenditures. We will work on correcting this before next year, by setting up separate funds for these expenditures; which would remove them from the General Fund, hence correcting the inflation of expenditures in the General Fund, however with that being said, it is my opinion that the city will always have expenditures that are not appropriated.

We will continue to strive to be compliant with the State Board of Accounts practices and procedures. We had Keyfund” accounting system that was installed this past April. After familiarizing ourselves with it, we believe it is going to be a huge improvement over “Keybud”.

I’m certain we have made errors this year, but we will continue to try to improve and to correct our mistakes. Again, this year I enjoyed having the auditor here in Beech Grove. He was helpful to the staff and me with answering our questions and if he didn’t have an answer, he gave us direction on where we could find the answers. I’m very appreciative of his service.