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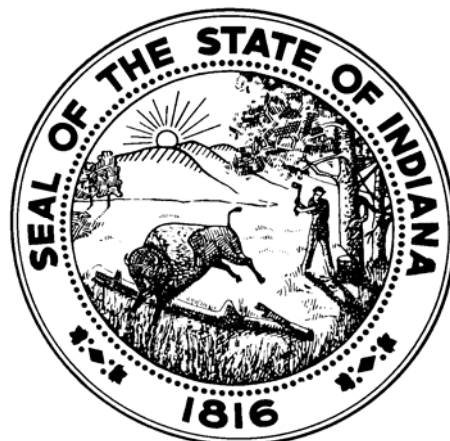
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF BEECH GROVE

MARION COUNTY, INDIANA



**FILED**  
10/23/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary A. Carpenter	01-01-04 to 12-31-07
Mayor	Hon. Donald J. Wright	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Hon. Donald J. Wright	01-01-06 to 12-31-07
President of the Common Council	Ingle Harris, III	01-01-06 to 12-31-07
Utility Operations Director	Sam Merl	01-01-06 to 12-31-07
Utility Office Manager	Linda Mohr	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beech Grove (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated September 17, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

September 17, 2007



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

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 Beech Grove (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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  
(Continued)

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.

We noted certain matters that we reported to management in a separate letter dated September 17, 2007.

The City's response to the findings identified in our audit are described in the accompanying section of the report entitled Official Response. We did not audit the City's response and accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 17, 2007

CITY OF BEECH GROVE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,704,520	\$ 574,483	\$ -	\$ -	\$ (1,130,037)	\$ -	\$ (1,130,037)
Public safety	6,131,415	3,960	140,679	-	(5,986,776)	-	(5,986,776)
Highways and streets	1,315,926	-	-	-	(1,315,926)	-	(1,315,926)
Economic development	1,475,334	-	-	-	(1,475,334)	-	(1,475,334)
Culture and recreation	284,687	-	-	-	(284,687)	-	(284,687)
Debt service	343,622	-	-	-	(343,622)	-	(343,622)
Interest on long-term debt	163,418	-	-	-	(163,418)	-	(163,418)
Total governmental activities	<u>11,418,922</u>	<u>578,443</u>	<u>140,679</u>	<u>-</u>	<u>(10,699,800)</u>	<u>-</u>	<u>(10,699,800)</u>
Business-type activities:							
Wastewater	2,867,296	2,375,065	-	137,287	-	(354,944)	(354,944)
Total business-type activities	<u>2,867,296</u>	<u>2,375,065</u>	<u>-</u>	<u>137,287</u>	<u>-</u>	<u>(354,944)</u>	<u>(354,944)</u>
Total primary government	<u>\$ 14,286,218</u>	<u>\$ 2,953,508</u>	<u>\$ 140,679</u>	<u>\$ 137,287</u>	<u>(10,699,800)</u>	<u>(354,944)</u>	<u>(11,054,744)</u>
General receipts:							
Property taxes					5,396,440	-	5,396,440
Other local sources					2,703,356	-	2,703,356
Bonds and loans					992,500	-	992,500
Other local receipts					700,494	184,124	884,618
Total general receipts					<u>9,792,790</u>	<u>184,124</u>	<u>9,976,914</u>
Change in net assets					(907,010)	(170,820)	(1,077,830)
Net assets - beginning					<u>4,052,360</u>	<u>920,552</u>	<u>4,972,912</u>
Net assets - ending					<u>\$ 3,145,350</u>	<u>\$ 749,732</u>	<u>\$ 3,895,082</u>
<u>Assets</u>							
Cash and investments					\$ 1,343,161	\$ 495,034	\$ 1,838,195
Restricted assets:							
Cash and investments					<u>1,802,189</u>	<u>254,698</u>	<u>2,056,887</u>
Total assets					<u>\$ 3,145,350</u>	<u>\$ 749,732</u>	<u>\$ 3,895,082</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 11,501	\$ -	\$ 11,501
Debt service					-	160,812	160,812
Other purposes					1,790,688	93,886	1,884,574
Unrestricted					<u>1,343,161</u>	<u>495,034</u>	<u>1,838,195</u>
Total net assets					<u>\$ 3,145,350</u>	<u>\$ 749,732</u>	<u>\$ 3,895,082</u>

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

CITY OF BEECH GROVE  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	RDAF 2005 Bond Capital Account	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 5,077,482	\$ -	\$ 318,958	\$ 5,396,440
Licenses and permits	164,887	-	3,575	168,462
Intergovernmental	1,678,505	-	1,024,851	2,703,356
Charges for services	406,021	-	3,960	409,981
Fines and forfeits	-	-	140,679	140,679
Other	555,516	4,429	140,549	700,494
	<u>7,882,411</u>	<u>4,429</u>	<u>1,632,572</u>	<u>9,519,412</u>
<b>Total receipts</b>				
<b>Disbursements:</b>				
General government	1,671,352	-	33,168	1,704,520
Public safety	5,196,319	-	935,096	6,131,415
Highways and streets	-	-	1,315,926	1,315,926
Culture and recreation	221,354	-	63,333	284,687
Urban redevelopment and housing	-	1,473,265	2,069	1,475,334
<b>Debt service:</b>				
Principal	299,908	-	27,005	326,913
Interest	59,444	-	103,974	163,418
Bond issuance costs	-	-	16,709	16,709
	<u>7,448,377</u>	<u>1,473,265</u>	<u>2,497,280</u>	<u>11,418,922</u>
<b>Total disbursements</b>				
Excess (deficiency) of receipts over disbursements	<u>434,034</u>	<u>(1,468,836)</u>	<u>(864,708)</u>	<u>(1,899,510)</u>
<b>Other financing sources (uses):</b>				
Bond proceeds	<u>-</u>	<u>-</u>	<u>992,500</u>	<u>992,500</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>				
	434,034	(1,468,836)	127,792	(907,010)
Cash and investment fund balance - beginning	<u>373,182</u>	<u>2,359,746</u>	<u>1,319,432</u>	<u>4,052,360</u>
Cash and investment fund balance - ending	<u>\$ 807,216</u>	<u>\$ 890,910</u>	<u>\$ 1,447,224</u>	<u>\$ 3,145,350</u>
<b>Cash and Investment Assets - December 31</b>				
Cash and investments	\$ 807,216	\$ -	\$ 535,945	\$ 1,343,161
<b>Restricted assets:</b>				
Cash and investments	<u>-</u>	<u>890,910</u>	<u>911,279</u>	<u>1,802,189</u>
Total cash and investment assets - December 31	<u>\$ 807,216</u>	<u>\$ 890,910</u>	<u>\$ 1,447,224</u>	<u>\$ 3,145,350</u>
<b>Cash and Investment Fund Balance - December 31</b>				
<b>Restricted for:</b>				
Culture and recreation	\$ -	\$ -	\$ 11,501	\$ 11,501
Other purposes	-	890,910	899,778	1,790,688
Unrestricted	<u>807,216</u>	<u>-</u>	<u>535,945</u>	<u>1,343,161</u>
Total cash and investment fund balance - December 31	<u>\$ 807,216</u>	<u>\$ 890,910</u>	<u>\$ 1,447,224</u>	<u>\$ 3,145,350</u>

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

CITY OF BEECH GROVE  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUND  
As of and for the Year Ended December 31, 2006

	Wastewater Utility
Operating receipts:	
Measured revenue:	
Residential	\$ 1,785,336
Commercial	589,729
Other	184,124
Total operating receipts	2,559,189
Operating disbursements:	
Source of supply and disbursements - operations and maintenance	356,726
Operations and maintenance	21,885
Administration and general	448,038
Refunds	17,159
Salaries and wages	507,802
Employee pensions and benefits	148,184
Purchased wastewater treatment	400,618
Landfill fees	181,870
Contractual services	252,484
Miscellaneous disbursements	291,672
Total operating disbursements	2,626,438
Deficiency of operating receipts over operating disbursements	(67,249)
Nonoperating receipts (disbursements):	
Miscellaneous receipts	137,287
Debt service of principal	(156,497)
Interest and investment disbursement	(65,359)
Miscellaneous disbursements	(19,002)
Total nonoperating disbursements	(103,571)
Deficiency of receipts over disbursements and nonoperating disbursements	(170,820)
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(170,820)
Cash and investment fund balance - beginning	920,552
Cash and investment fund balance - ending	\$ 749,732
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 495,034
Restricted assets:	
Cash and investments	254,698
Total cash and investment assets - December 31	\$ 749,732
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 160,812
Other purposes	93,886
Unrestricted	495,034
Total cash and investment fund balance - December 31	\$ 749,732

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

CITY OF BEECH GROVE  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	Pension Trust Funds	Agency Funds
	<u>          </u>	<u>          </u>
Additions:		
Contributions:		
Employer	\$ 420,498	\$ -
State	<u>354,036</u>	<u>-</u>
Total contributions	<u>774,534</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>6,147,098</u>
Total additions	<u>774,534</u>	<u>6,147,098</u>
Deductions:		
Benefits	698,118	-
Agency fund deductions	<u>-</u>	<u>6,147,944</u>
Total deductions	<u>698,118</u>	<u>6,147,944</u>
Excess (deficiency) of total additions over total deductions	76,416	(846)
Cash and investment fund balance - beginning	<u>115,858</u>	<u>65,116</u>
Cash and investment fund balance - ending	<u>\$ 192,274</u>	<u>\$ 64,270</u>

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: City of Beech Grove  
Beech Grove Sewage Works

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The RDAF 2005 Bond Capital Account fund accounts for financial resources related to redevelopment funded by a bond issue in 2005.

The City reports the following major proprietary fund:

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the City reports the following fund types:

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

Agency funds account for assets held by the City as an agent for federal, state, and other local governmental and nongovernmental entities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

Deposits

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

IV. Other Information

A. Risk Management

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

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Subsequent Events

On May 2, 2007, the City of Beech Grove issued a tax anticipation warrant for \$2,015,000 payable December 31, 2007.

On August 23, 2007, the Beech Grove Redevelopment Commission issued a TIF Bond for \$2,995,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City and meet the 85 rule (age plus the number of years in service) and to all fire and police who retire from the City on or after attaining age of 52 with at least 20 years of service. Currently, 42 retirees or beneficiaries meet these eligibility requirements. The spouses of qualified retirees are also eligible for health insurance benefits until age 65. The City and retirees each provide 50% of these postemployment benefits. Once the retiree is Medicare eligible, the City and the retirees provide 80% and 20%, respectively. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

D. Loans Receivable – Indiana Department of Commerce

The following loans were made to business and individuals for the revitalization of Main Street in Beech Grove.

	Date of Loan	Original Amount	Interest Rate	Annual Payment	Outstanding Balance
Business Art and Design	10-09-97	\$ 30,000	4%	\$ 3,645	\$ 18,675
Indy Controls	10-01-05	40,000	4%	4,860	35,734
The Mug Rack, Inc.	10-01-02	25,000	4%	3,047	16,349
Warren Whittaker	02-22-99	40,000	4%	4,860	12,260
21st Century Lending	04-30-99	35,000	4%	4,252	693
Sutterfields 606	08-13-92	30,000	4%	3,648	13,243
Leo's Black Iron Gym	05-01-02	25,000	4%	3,047	14,703
Anexix, Inc. (DiNapoli's)	08-14-03	25,000	4%	5,521	9,049
1st Class Auto Glass	02-24-03	25,000	4%	3,045	16,304

E. Rate Structure – Enterprise Funds

Water Utility

Wastewater Utility

The current rate structure was approved by the City Council on August 17, 2004.

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

b. 1925 Police Officers' Pension Plan

Plan Description

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

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

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

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

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

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 130,537	\$ 601,700	\$ 356,200
Interest on net pension obligation	(8,504)	356,400	235,200
Adjustment to annual required contribution	<u>9,691</u>	<u>(388,600)</u>	<u>(256,400)</u>
Annual pension cost	131,724	569,500	335,000
Contributions made	<u>98,157</u>	<u>444,810</u>	<u>115,057</u>
Increase in net pension obligation	33,567	112,556	219,943
Net pension obligation, beginning of year	<u>(117,300)</u>	<u>5,280,481</u>	<u>3,483,834</u>
Net pension obligation, end of year	<u>\$ (83,733)</u>	<u>\$ 5,393,037</u>	<u>\$ 3,703,777</u>

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.5%	0%	259%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\* 2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 84,239	141%	\$ (94,504)
	06-30-05	92,240	125%	(117,300)
	06-30-06	131,724	106%	(83,733)
1925 Police Officers' Pension Plan	12-31-03	628,600	37%	5,049,888
	12-31-04	625,200	63%	5,280,481
	12-31-05	569,500	80%	5,393,037
1937 Firefighters' Pension Plan	12-31-03	420,100	56%	3,178,994
	12-31-04	427,500	29%	3,483,834
	12-31-05	335,000	34%	3,703,777

CITY OF BEECH GROVE  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	18	8

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

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

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$542,696, \$516,125, and \$500,136, respectively, equal to the required contributions for each year.

CITY OF BEECH GROVE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,466,684	\$ 1,802,461	\$ (335,777)	81%	\$ 1,444,556	(23%)
07-01-05	1,557,839	2,216,325	(658,486)	70%	1,674,421	(39%)
07-01-06	1,497,101	1,730,115	(233,014)	87%	1,581,634	(15%)

1925 Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 286,908	\$ 7,208,600	\$ (6,921,692)	4%	\$ 159,200	(4,348%)
01-01-02	112,644	7,291,600	(7,178,956)	2%	122,900	(5,841%)
01-01-03	418,554	7,297,700	(6,879,146)	6%	210,600	(3,266%)
01-01-04	245,622	7,433,900	(7,188,278)	3%	129,900	(5,534%)
01-01-05	157,127	5,781,800	(5,624,673)	3%	-	No Covered Payroll
01-01-06	41,711	8,414,700	(8,372,989)	0%	-	No Covered Payroll

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 153,881	\$ 4,631,100	\$ (4,477,219)	3%	\$ 199,100	(2,249%)
01-01-02	26,283	4,697,400	(4,671,117)	1%	122,900	(3,801%)
01-01-03	290,122	4,318,500	(4,028,378)	7%	252,700	(1,594%)
01-01-04	228,697	4,883,300	(4,654,603)	5%	130,000	(3,580%)
01-01-05	171,355	4,452,900	(4,281,545)	4%	133,900	(3,198%)
01-01-06	74,147	4,501,600	(4,427,453)	2%	137,700	(3,215%)

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1925 Police Officers' Pension Plan	12-31-00	\$ 790,100	0%
	12-31-01	762,000	27%
	12-31-02	789,900	29%
	12-31-03	838,600	28%
	12-31-04	879,800	45%
	12-31-05	601,700	76%
1937 Firefighters' Pension Plan	12-31-00	\$ 473,100	0%
	12-31-01	510,500	41%
	12-31-02	517,000	44%
	12-31-03	555,100	42%
	12-31-04	587,800	21%
	12-31-05	356,200	32%

CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Revolving Loan	Capital Cumulative Development	Law Enforcement Continuing Education	Park Nonreverting	Park Softball
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	3,575	-	-
Intergovernmental	811,481	206,758	-	-	6,612	-	-
Charges for services	-	-	-	-	3,960	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	1,220	-	66,816	-	-	-	-
<b>Total receipts</b>	<b>812,701</b>	<b>206,758</b>	<b>66,816</b>	<b>-</b>	<b>14,147</b>	<b>-</b>	<b>-</b>
Disbursements:							
General government	-	-	4,791	6,032	-	-	-
Public safety	-	-	-	3,119	12,279	-	-
Highways and streets	946,047	369,879	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	29,476	-	-	-
Urban redevelopment and housing	-	-	2,069	-	-	-	-
Debt service:							
Principal	12,005	-	-	-	-	-	-
Interest	2,882	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>960,934</b>	<b>369,879</b>	<b>6,860</b>	<b>38,627</b>	<b>12,279</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(148,233)	(163,121)	59,956	(38,627)	1,868	-	-
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(148,233)	(163,121)	59,956	(38,627)	1,868	-	-
Cash and investment fund balance - beginning	344,765	231,827	148,803	40,903	15,505	11,501	1,218
Cash and investment fund balance - ending	\$ 196,532	\$ 68,706	\$ 208,759	\$ 2,276	\$ 17,373	\$ 11,501	\$ 1,218
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 196,532	\$ 68,706	\$ -	\$ 2,276	\$ 17,373	\$ -	\$ 1,218
Restricted assets:							
Cash and investments	-	-	208,759	-	-	11,501	-
Total cash and investment assets - December 31	\$ 196,532	\$ 68,706	\$ 208,759	\$ 2,276	\$ 17,373	\$ 11,501	\$ 1,218
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,501	\$ -
Other purposes	-	-	208,759	-	-	-	-
Unrestricted	196,532	68,706	-	2,276	17,373	-	1,218
Total cash and investment fund balance - December 31	\$ 196,532	\$ 68,706	\$ 208,759	\$ 2,276	\$ 17,373	\$ 11,501	\$ 1,218

CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Criminal Investigation	2002 Bond	Rainy Day	Police Donation	Fire Donation	Mayor's Donation	Senior Citizen's Donations
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	140,679	-	-	-	-	-	-
Other	2,819	-	-	3,748	20,902	37,401	4,831
<b>Total receipts</b>	<b>143,498</b>	<b>-</b>	<b>-</b>	<b>3,748</b>	<b>20,902</b>	<b>37,401</b>	<b>4,831</b>
Disbursements:							
General government	-	-	-	748	1,568	3,428	-
Public safety	59,301	1,325	-	3,923	67,354	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	2,436	26,184	4,758
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>59,301</b>	<b>1,325</b>	<b>-</b>	<b>4,671</b>	<b>71,358</b>	<b>29,612</b>	<b>4,758</b>
Excess (deficiency) of receipts over disbursements	84,197	(1,325)	-	(923)	(50,456)	7,789	73
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	84,197	(1,325)	-	(923)	(50,456)	7,789	73
Cash and investment fund balance - beginning	24,103	1,325	21,323	4,959	53,593	1,539	32,250
Cash and investment fund balance - ending	<u>\$ 108,300</u>	<u>\$ -</u>	<u>\$ 21,323</u>	<u>\$ 4,036</u>	<u>\$ 3,137</u>	<u>\$ 9,328</u>	<u>\$ 32,323</u>
<b><u>Cash and Investment Assets - December 31</u></b>							
Cash and investments	\$ -	\$ -	\$ 21,323	\$ 4,036	\$ 3,137	\$ 9,328	\$ 32,323
Restricted assets:							
Cash and investments	108,300	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 108,300</u>	<u>\$ -</u>	<u>\$ 21,323</u>	<u>\$ 4,036</u>	<u>\$ 3,137</u>	<u>\$ 9,328</u>	<u>\$ 32,323</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	108,300	-	-	-	-	-	-
Unrestricted	-	-	21,323	4,036	3,137	9,328	32,323
Total cash and investment fund balance - December 31	<u>\$ 108,300</u>	<u>\$ -</u>	<u>\$ 21,323</u>	<u>\$ 4,036</u>	<u>\$ 3,137</u>	<u>\$ 9,328</u>	<u>\$ 32,323</u>

CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Park Donation	Cable Donation	2006 Bond	RDAF General Account	RDAF Debt Service Reserve	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 318,958	\$ -	\$ 318,958
Licenses and permits	-	-	-	-	-	3,575
Intergovernmental	-	-	-	-	-	1,024,851
Charges for services	-	-	-	-	-	3,960
Fines and forfeits	-	-	-	-	-	140,679
Other	1,930	-	-	233	649	140,549
<b>Total receipts</b>	<b>1,930</b>	<b>-</b>	<b>-</b>	<b>319,191</b>	<b>649</b>	<b>1,632,572</b>
<b>Disbursements:</b>						
General government	-	-	16,437	84	80	33,168
Public safety	-	-	787,795	-	-	935,096
Highways and streets	-	-	-	-	-	1,315,926
Sanitation	-	-	-	-	-	-
Culture and recreation	479	-	-	-	-	63,333
Urban redevelopment and housing	-	-	-	-	-	2,069
<b>Debt service:</b>						
Principal	-	-	-	15,000	-	27,005
Interest	-	-	-	101,092	-	103,974
Bond issuance costs	-	-	16,709	-	-	16,709
<b>Total disbursements</b>	<b>479</b>	<b>-</b>	<b>820,941</b>	<b>116,176</b>	<b>80</b>	<b>2,497,280</b>
Excess (deficiency) of receipts over disbursements	1,451	-	(820,941)	203,015	569	(864,708)
<b>Other financing sources (uses):</b>						
Bond proceeds	-	-	992,500	-	-	992,500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,451	-	171,559	203,015	569	127,792
Cash and investment fund balance - beginning	6,582	101	-	90,044	289,091	1,319,432
Cash and investment fund balance - ending	<u>\$ 8,033</u>	<u>\$ 101</u>	<u>\$ 171,559</u>	<u>\$ 293,059</u>	<u>\$ 289,660</u>	<u>\$ 1,447,224</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 8,033	\$ 101	\$ 171,559	\$ -	\$ -	\$ 535,945
<b>Restricted assets:</b>						
Cash and investments	-	-	-	293,059	289,660	911,279
<b>Total cash and investment assets - December 31</b>	<u>\$ 8,033</u>	<u>\$ 101</u>	<u>\$ 171,559</u>	<u>\$ 293,059</u>	<u>\$ 289,660</u>	<u>\$ 1,447,224</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
<b>Restricted for:</b>						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,501
Other purposes	-	-	-	293,059	289,660	899,778
Unrestricted	8,033	101	171,559	-	-	535,945
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 8,033</u>	<u>\$ 101</u>	<u>\$ 171,559</u>	<u>\$ 293,059</u>	<u>\$ 289,660</u>	<u>\$ 1,447,224</u>

CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For The Year Ended December 31, 2006

	Police Officers' Pension	Firefighters' Pension	Totals
Additions:			
Contributions:			
Employer	\$ 201,348	\$ 219,150	\$ 420,498
State	243,462	110,574	354,036
Total contributions	444,810	329,724	774,534
Total additions	444,810	329,724	774,534
Deductions:			
Benefits	484,118	214,000	698,118
Excess (deficiency) of total additions over total deductions	(39,308)	115,724	76,416
Cash and investment fund balance - beginning	41,711	74,147	115,858
Cash and investment fund balance - ending	\$ 2,403	\$ 189,871	\$ 192,274

CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Police and Fire Trust</u>	<u>Health Escrow</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 6,114,012	\$ -	\$ 33,086	\$ 6,147,098
Deductions:				
Agency fund deductions	<u>6,107,926</u>	<u>-</u>	<u>40,018</u>	<u>6,147,944</u>
Excess (deficiency) of total additions over total deductions	6,086	-	(6,932)	(846)
Cash and investment fund balance - beginning	<u>55,546</u>	<u>2,530</u>	<u>7,040</u>	<u>65,116</u>
Cash and investment fund balance - ending	<u>\$ 61,632</u>	<u>\$ 2,530</u>	<u>\$ 108</u>	<u>\$ 64,270</u>

**CITY OF BEECH GROVE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT**

For The Year Ended December 31, 2006

The City has entered into the following capital leases and other long-term debt:

Description of Asset	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>		
<b>Capital leases:</b>		
Dump Truck - 2006	\$ 36,014	\$ 7,085
Street Sweeper - 2006	155,234	31,803
Emergency Property Tax Loan - 2000	202,058	58,585
<b>Bonds payable:</b>		
<b>General obligation bonds:</b>		
2002 Issue - City Equipment and Improvement	555,000	35,000
2006 Issue - Public Safety	995,000	50,000
<b>Revenue bonds:</b>		
2005 Tax Incremental Funding - Redevelopment	2,980,000	160,000
<b>Total governmental activities long-term debt</b>	<b><u>\$ 4,923,306</u></b>	<b><u>\$ 342,473</u></b>
<b>Business-type Activities:</b>		
<b>Wastewater Utility</b>		
<b>Capital leases:</b>		
Trash Truck - 2006	\$ 189,404	\$ 46,726
Trash Totes - 2006	218,802	50,592
State Revolving Fund Loan	1,508,963	Note 1
<b>Revenue bonds:</b>		
Indianapolis DPW 1995	137,260	59,631
2005A Issue	<u>849,102</u>	<u>15,000</u>
<b>Total Wastewater Utility</b>	<b><u>2,903,531</u></b>	<b><u>171,949</u></b>
<b>Total business-type activities long-term debt:</b>	<b><u>\$ 2,903,531</u></b>	<b><u>\$ 171,949</u></b>

Note 1 - The State revolving fund loan was approved in 2004 for a total amount of \$1,880,898. As of December 31, 2006, the total amount of the loan had not been drawndown 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  
AUDIT RESULTS AND COMMENTS

CONTRACTS NOT AVAILABLE FOR REVIEW

The following contracts requested were not made available for examination during the audit:

Barnes and Thornburg - professional services, South Emerson development  
and federal lobbying retainer all billed on August 30, 2006.

Fitzgerald & Fitzgerald Co., Inc. – July building inspections

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for audit for the City's revolving loans were inaccurate. The payment records presented did not include two payments noted in the ledgers.

The beginning balances listed on some of the 2006 records were incorrect. Some balances have been incorrect since 2003; others were incorrect due to formula errors in the payment charts. These problems resulted in the incorrect calculation of interest due to the City. The City reviewed the payment charts and updated the beginning balance for 2007.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The City and the Wastewater Utility capital asset records include equipment only, and exclude land, buildings, improvements other than buildings and infrastructure. The listing provided does not include cost information for over 15% of the items listed. A similar comment has 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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims were not always adequately itemized.
2. Claims did not always have board approval.

CITY OF BEECH GROVE  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. Claims were not certified by the fiscal officer before payment was made.

It was also discovered that the City had not approved any claims for warrants that had been prewritten since converting to the current computer system. A special Board of Works meeting was held on June 25, 2007, to retroactively approve all claims from January 1, 2005, to current that had not been previously approved.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

### WASTEWATER REFUND

On October 5, 2006, the City issued a refund check to the Sisters of St. Benedict for \$9,760. This check was issued at the request of Hon. Donald "Joe" Wright, Mayor, and was not approved by the governing body, prior to issuance. A letter from the Mayor to the Sisters of St. Benedict stated that the refund was "... to correct an error in our sewer billing system that resulted in an inaccurate invoice being sent to you in August 2006 on your account. . . . in the amount of \$10,434.80 based on a usage of 5,483 units of water."

The following facts were discovered while reviewing the documentation for the refund:

1. The City's Sewage Works Department began using a new computer system in December 2004 with the capability to import the water usage information received from Veolia Water Company in an electronic data file.
2. A new meter was installed on November 5, 2004, by Veolia Water Company for the Sisters of St. Benedict account, per the water company's records.
3. A problem was identified in the spring of 2006 with the City's computer system. It had not been properly posting the actual water usage for Veolia Water Company accounts that had meter numbers beginning with a zero. This problem affected approximately 57 accounts. Estimated amounts were used for billings from December 27, 2004 through June 26, 2006, before the problem was corrected on the July 25, 2006, billing.

CITY OF BEECH GROVE  
AUDIT RESULTS AND COMMENTS  
(Continued)

4. Total usage of water metered and billed by Veolia Water Company to the Sisters of St. Benedict from November 4, 2004 to July 6, 2006, was 12,612 units of water.
5. In total, from the November 29, 2004 billing through the July 25, 2006, billing, the Sisters of St. Benedict were billed in accordance with water usage of 12,612 units, based upon the Veolia Water Company meter readings from November 4, 2004 through July 6, 2006.
6. The Sisters of St. Benedict had been billed \$10 per month for trash collection, since November 2004. A City ordinance specifies that the trash collection fee is to be charged to residential accounts only.
7. The amount of the refund check was computed as detailed below:

Twenty-six months of trash collection fees at \$10 per month	\$ 260
Five thousand units of billed water usage at \$1.90 per unit	<u>9,500</u>
Total	<u>\$ 9,760</u>

Based on the information provided by the City, the Sewage Works Department, and Veolia Water Company, the total amount billed to the Sisters of St. Benedict for sewage service from November 5, 2004 through July 7, 2006, is consistent with the water usage reported by Veolia Water Company.

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

The following is an excerpt from page four of an opinion letter written by City Attorney, Brian C. Bosma:

"The second matter we were asked to review is the Mayor's authority to compromise payments to the City when errors are detected or otherwise, and specifically, whether the Mayor has the authority to grant refunds from amounts paid for utility services. This issue addresses the recent utility refund extended to the Benedictine Center in the amount of \$9,736.00.

CITY OF BEECH GROVE  
AUDIT RESULTS AND COMMENTS  
(Continued)

As briefly mentioned above, Indiana Code 36-1-4-7 provides as follows:

- Sec. 17 (a) A unit may compromise claims made against it.  
(b) A unit or a person designated in writing by the unit may do the following:  
    (1) Collect any money that is owed to the unit.  
    (2) Compromise the amount of money owed to the unit.

As stated above, the Mayor has been delegated the authority to control the 'day to day operations' of the Board of Works & Public Safety pursuant to Section 35.025(B) of the Ordinances. While there is no legal definition of 'day to day operations,' it is certainly reasonable to conclude that refunds of amounts collected or billed by the City fall under this description. Past City practice has not been consistent, as apparently some utility refunds have appeared individually on the Board of Sanitation claims dockets for approval (both before and after refunds are granted), and some refunds have apparently not appeared on the claim dockets at all, either before or after the granting of the refund. This last matter of claims not appearing on dockets is a concern and is addressed separately below.

In conclusion on this issue, it appears that as a general rule, the Mayor would have the authority to issue routine refunds and to 'compromise claims' through his authority to govern the 'day to day' operations of various departments of the City. We would suggest, however, that the Board of Sanitation clarify its intent on handling future refund requests, and whether the Board would like to receive refund requests in advance of issuance of a check, or clarify that its delegation of day to day operations to the Mayor includes the granting of utility refunds, with just an approval of the claims after the fact. Ratification of such payments (and virtually any other action taken by any officer or employee of the City) is specifically allowed by the ratification authority granted to the Board under I.C. 36-1-4-16. Given the amount of the refund in question, an appropriate middle ground to consider might be a written policy that refunds over a certain amount must come to the Board for review prior to approval. For refunds of this magnitude, pre-approval would clearly be the best practice."

The following are excerpts from page seven of the opinion letter:

"Finally, on the issue of the utility refund, your authority over 'day to day operations' likely places this matter within your authority, but clarification of this authority with the Board of Sanitation and/or the Board of Works should occur."

"In the event any party comes to different authority conclusions than those contained in this letter, each of these issues is easily rectified by ratification of your actions by the Board of Public Works or the Board of Sanitation. Pursuant to I.C. 36-1-4-16, and consistent with past practices of the City, the City or the appropriate body (in this case the Board of Works or Board of Sanitation) may ratify any action of the City, its officers or its employees if that action could have been approved in advance."

The Board of Works held a special meeting on Monday, June 25, 2007, to approve a number of claims, dating back to 2005 that had not previously been approved. Due to an oversight, these claims had not been included within the claim register listings presented to and approved by the Board. The claim for the above referenced refund was included in this group and was approved at the special meeting.

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

### Compliance

We have audited the compliance of the City of Beech Grove (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

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

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

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

STATE BOARD OF ACCOUNTS

September 17, 2007

CITY OF BEECH GROVE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	WW0509491	\$ <u>584,273</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant	97.044	EMW-2005-FG-02215	<u>16,885</u>
Total federal awards expended			<u>\$ <u>601,158</u></u>

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

CITY OF BEECH GROVE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

CITY OF BEECH GROVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF BEECH GROVE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF BEECH GROVE  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2007, with Mary A. Carpenter, Clerk-Treasurer; Sue Beasley, Attorney; Hon. Donald J. Wright, Mayor; Ingle Harris, III, President of the Common Council; and Jeff Peterson, Financial Consultant. The official response has been made a part of this report and may be found on pages 41 through 44.

September 26, 2007

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 City of Beech Grove 2006 Audit Results and Comments.

Contracts not Available for Review

The two contracts mentioned were not available in the Clerk-Treasurer's office. A request was made of the Mayor's office to provide the contracts, but there was no response from that office.

All receipts, canceled checks, invoices, bills and contracts that were available in the Clerk-Treasurer's office were provided for Audit.

Condition of Records

As stated, some balances on the City's Main Street Revolving Loans had been incorrect since 2003. The Field Auditor provided the Clerk-Treasurer's office with the correct beginning balance of all loans, according to his records, and the corrections were made immediately.

Capital Assets Records

Cost information missing for equipment listed has been almost completely corrected. Listing for Land, Buildings and Improvements have been requested from Department Heads.

Errors on Claims

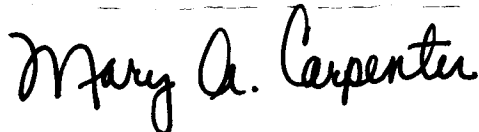
When the Clerk-Treasurer's office became aware that Manual Claims were not being picked up on the computer generated Claims Dockets for Board approval, corrections were made immediately. Claims were identified and retroactively approved on June 25, 2007.

Wastewater Refund

At a special Board of Works meeting held on Monday, June 25, 2007 I made this statement to the Board members:

“The sewer bill received by the property owner was for sewer service received from the City, at the rate approved by Council, as shown by the records my office received from Indianapolis. Because this money is owed to the City and because the voucher and disbursement were not properly documented or authorized, I am requesting that the Board not ratify this action. Instead, it is my position that I should seek reimbursement on behalf of the City.” The Board ratified the payment regardless of my request.

Sincerely,



Mary A. Carpenter  
Clerk-Treasurer  
City of Beech Grove



September 27, 2007

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

**RE: Response to SBA Audit for Calendar Year 2006  
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.

#### **CONDITION OF RECORDS**

As you are aware, the matters noted in your comments are the responsibility of the City of Beech Grove Clerk/Treasurer. We will communicate with the Clerk/Treasurer to confirm that she will rectify City records in accordance with state law and your comments.

#### **CAPITAL ASSET RECORDS**

As you are aware, the matters noted in your comments are the responsibility of the Clerk/Treasurer. On December 12, 2005, the Beech Grove Board Common Council adopted a Resolution addressing the City's Capital Asset Records and giving the Clerk/Treasurer direction in completing that task in accordance with state law and your prior audit comments. We will communicate with the Clerk/Treasurer and confirm that she will comply with your request.

#### **ERRORS ON CLAIMS**

As you are aware, preparation and submittal of Claims Dockets is the responsibility of the Clerk/Treasurer. In July 2007 this office first became aware that the Clerk's computer system did not automatically include manually entered claims for warrants on the monthly Claims Docket materials submitted to the Board of Works, and that the Clerk/Treasurer had not manually entered these claims on the Claims Docket for several prior audit periods. As noted in your comment, we worked with the Clerk/Treasurer to rectify this lack of Board approval through a ratification of previously unapproved claims dating to January 1, 2005 pursuant to the ratification authority of the Board of Works contained in I.C. 36-1-4-16. We are continuing to address any other outstanding items through this same process. We have requested that all future claims be

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

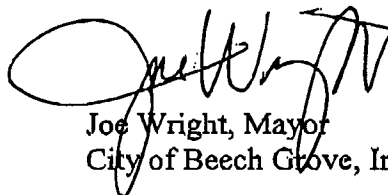
adequately itemized, certified by the Clerk/Treasurer and be submitted to the Board of Works or Board of Sanitation for approval. We will be certain to bring the contents of your comments to the attention of the Clerk/Treasurer.

#### WASTE WATER REFUND

As you are aware, the responsibility for utility billing lies in the office of the Clerk/Treasurer. In May of 2007 it was brought to the attention of this office that there were under-billing errors for more than fifty (50) waste water customers stretching back as far as 19 consecutive months, due to a computer program error. This group of accounts included the one account mentioned in the report comment. As indicated in the legal opinion referenced in your report, the Mayor has the authority, by statute and in Ordinance, to control the day to day operations of the waste water utility, including the compromise of claims. The refund mentioned was fully ratified by the Board of Sanitation as referenced in your report. All accounts in the same situation either were, or will be, treated in like manner. The Board of Sanitation is currently in the process of adopting a written policy to govern similar situations should they occur in the future. As mentioned above, we have also requested that the Clerk/Treasurer include all pre-approved or manually entered claims on future Claims Dockets so they can be either approved or ratified in a more timely manner.

As you are aware, when this administration took office in January 2004, the City's financial reports were in such poor condition that the State Board of Accounts had refused to audit them until serious errors by our predecessors were resolved. We feel, and hope you agree, that major improvements in the City's financial accounting practices and reporting have been achieved. I will continue to work with the Clerk/Treasurer and other elected and appointed officials and our staff, to move toward full legal compliance and reporting responsibility for the City of Beech Grove. If you should have any questions, feel free to contact me at your convenience.

Very truly yours,



Joe Wright, Mayor  
City of Beech Grove, Indiana