

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

EXAMINATION REPORT  
OF  
CITY OF BEECH GROVE  
MARION COUNTY, INDIANA  
January 1, 2010 to December 31, 2010



**FILED**  
07/05/2011



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sarah M. Kincaid O. Chris Duffer	01-01-08 to 08-27-10 08-28-10 to 12-31-11
Mayor	Donald J. Wright Terry A. Dilk	01-01-08 to 01-17-11 01-18-11 to 12-31-11
President of the Common Council	John Jennings	01-01-10 to 12-31-11
President of the Board of Public Works and Safety	Donald J. Wright Terry A. Dilk	01-01-08 to 01-17-11 01-18-11 to 12-31-11



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**INDEPENDENT ACCOUNTANT'S REPORT**

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

We have examined the financial statement of the City of Beech Grove (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial 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 statements 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 basis noted above is a different basis than that used in the prior year.

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, 2010, on the basis of accounting described in Note 1.

The Combining Schedule 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 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 responses to the Examination Results and Comments identified in our examination are described in the accompanying section of the report entitled Official Responses. We did not examine the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, and Board of Public Works and Safety, 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

May 24, 2011

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FINANCIAL STATEMENT(S)

CITY OF BEECH GROVE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 287,348	\$ 11,022,223	\$ 11,207,500	\$ 102,071
Motor Vehicle Highway	74,750	712,922	780,741	6,931
Local Road & Street	34,567	185,193	215,723	4,037
Parks Non-Reverting	518	-	(3,783)	4,301
Mayor's Donation	4	100	-	104
Criminal Investigation	247,264	198,067	124,924	320,407
Local Law Enforcement	13,716	17,353	6,162	24,907
Fire Donation	2,168	2,086	226	4,028
Park Donation	1,777	2,161	2,964	974
Rainy Day Fund	473,190	706,027	1,116,286	62,931
Parks-Softball	1,218	-	-	1,218
Levy Excess Fund	-	15,373	-	15,373
Senior Citizens Donation	29,752	4,565	4,356	29,961
Cable Donation	102	-	-	102
Police Donation	1,601	2,500	1,526	2,575
Public Safety	348,060	1,087,991	1,435,311	740
Revolving Loan	136,787	32,068	84,846	84,009
RDAF Allocation/General	110	-	-	110
Bond And Interest Redempt	(105,167)	438,471	324,185	9,119
RDAF Debt Service Reserve	583,773	292	-	584,065
Cumulative Capital Development	2,619	216	-	2,835
RDAF General Account	23,962	1,472,223	1,277,629	218,556
2006 Bond Issue	20,596	-	-	20,596
Police Pension	23,416	673,919	571,204	126,131
Fire Pension	78,880	323,149	349,812	52,217
Payroll	42,963	7,429,553	7,448,977	23,539
Health-Retirees	6,789	119,195	107,226	18,758
Police/Fire Trust	2,530	-	-	2,530
Payroll Bal.End Of 2004	12	-	-	12
Sewage Utility Operating	316,001	2,493,107	2,160,418	648,690
Utility Bond and Interest	95,103	352,784	409,871	38,016
Utility Construction	314	-	-	314
Utility Bond and Interest Reserve	229,860	-	136,178	93,682
City Court Fees	9,081	407,692	407,092	9,681
Totals	<u>\$ 2,983,664</u>	<u>\$ 27,699,230</u>	<u>\$ 28,169,374</u>	<u>\$ 2,513,520</u>

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



CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENT(S)

**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, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

**B. Basis of Accounting**

The financial statements are 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 statements. The aggregate receipts may include, but are not limited to, 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.

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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, 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 statements. The aggregate disbursements may include, but are not limited to, 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.

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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.

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.

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

**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.

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

**Note 6. Pension Plan(s)**

*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 PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 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.

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

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

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*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 Public Employees' Retirement Fund 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 Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF BEECH GROVE  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

*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 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 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.

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*

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

**Note 7. Subsequent Event – Delinquent Liability**

During 2010, the City was paying Indianapolis Water (Veolia) for 2008 services. At year-end, the City owed a total outstanding balance of \$946,404.31 to Veolia for 2008, 2009, and 2010 services. For 2011, the City is paying the current assessed monthly charges, but has not made payments on the outstanding balance from prior years.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report(s) can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

CITY OF BEECH GROVE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road & Street	Parks Non-Reverting	Mayor's Donation	Criminal Investigation	Local Law Enforcement
Cash and investments - beginning	\$ 287,348	\$ 74,750	\$ 34,567	\$ 518	\$ 4	\$ 247,264	\$ 13,716
Receipts:							
Taxes	5,233,269	-	-	-	-	-	-
Licenses and permits	24,746	-	-	-	-	-	6,209
Intergovernmental	2,834,993	712,922	185,193	-	-	-	-
Charges for services	829,070	-	-	-	-	-	2,216
Fines and forfeits	187,231	-	-	-	-	-	8,928
Utility fees	-	-	-	-	-	-	-
Other receipts	1,912,914	-	-	-	100	198,067	-
Total receipts	11,022,223	712,922	185,193	-	100	198,067	17,353
Disbursements:							
Personal services	5,211,221	432,719	-	-	-	-	-
Supplies	222,547	63,540	75,454	-	-	2,153	-
Other services and charges	1,223,192	208,853	140,269	(3,783)	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	226,453	75,629	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,324,087	-	-	-	-	122,771	6,162
Total disbursements	11,207,500	780,741	215,723	(3,783)	-	124,924	6,162
Excess (deficiency) of receipts over disbursements	(185,277)	(67,819)	(30,530)	3,783	100	73,143	11,191
Cash and investments - ending	\$ 102,071	\$ 6,931	\$ 4,037	\$ 4,301	\$ 104	\$ 320,407	\$ 24,907



CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Fire Donation	Park Donation	Rainy Day Fund	Parks-Softball	Levy Excess Fund	Senior Citizens Donation	Cable Donation
Cash and investments - beginning	\$ 2,168	\$ 1,777	\$ 473,190	\$ 1,218	\$ -	\$ 29,752	\$ 102
Receipts:							
Taxes	-	-	-	-	15,373	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	501,027	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,086	2,161	205,000	-	-	4,565	-
Total receipts	2,086	2,161	706,027	-	15,373	4,565	-
Disbursements:							
Personal services	-	1,760	695,734	-	-	-	-
Supplies	-	-	-	-	-	4,356	-
Other services and charges	-	-	3,465	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	226	1,204	417,087	-	-	-	-
Total disbursements	226	2,964	1,116,286	-	-	4,356	-
Excess (deficiency) of receipts over disbursements	1,860	(803)	(410,259)	-	15,373	209	-
Cash and investments - ending	\$ 4,028	\$ 974	\$ 62,931	\$ 1,218	\$ 15,373	\$ 29,961	\$ 102

CITY OF BEECH GROVE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

	Police Donation	Public Safety	Revolving Loan	RDAF Allocation/ General	Bond And Interest Redempt	RDAF Debt Service Reserve	Cumulative Capital Development
Cash and investments - beginning	\$ 1,601	\$ 348,060	\$ 136,787	\$ 110	\$ (105,167)	\$ 583,773	\$ 2,619
Receipts:							
Taxes	-	-	-	-	412,058	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	1,087,991	-	-	22,420	-	-
Charges for services	-	-	-	-	3,993	-	216
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,500	-	32,068	-	-	292	-
Total receipts	2,500	1,087,991	32,068	-	438,471	292	216
Disbursements:							
Personal services	-	1,354,217	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	84,846	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	81,094	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,526	-	-	-	324,185	-	-
Total disbursements	1,526	1,435,311	84,846	-	324,185	-	-
Excess (deficiency) of receipts over disbursements	974	(347,320)	(52,778)	-	114,286	292	216
Cash and investments - ending	\$ 2,575	\$ 740	\$ 84,009	\$ 110	\$ 9,119	\$ 584,065	\$ 2,835

CITY OF BEECH GROVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	RDAF General Account	2006 Bond Issue	Police Pension	Fire Pension	Payroll	Health-Retirees	Police/Fire Trust
Cash and investments - beginning	\$ 23,962	\$ 20,596	\$ 23,416	\$ 78,880	\$ 42,963	\$ 6,789	\$ 2,530
Receipts:							
Taxes	1,267,161	-	673,919	323,149	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	205,062	-	-	-	7,429,553	119,195	-
Total receipts	1,472,223	-	673,919	323,149	7,429,553	119,195	-
Disbursements:							
Personal services	-	-	47,251	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	523,953	349,812	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,277,629	-	-	-	7,448,977	107,226	-
Total disbursements	1,277,629	-	571,204	349,812	7,448,977	107,226	-
Excess (deficiency) of receipts over disbursements	194,594	-	102,715	(26,663)	(19,424)	11,969	-
Cash and investments - ending	\$ 218,556	\$ 20,596	\$ 126,131	\$ 52,217	\$ 23,539	\$ 18,758	\$ 2,530

CITY OF BEECH GROVE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

	Payroll Bal. End Of 2004	Sewage Utility Operating	Utility Bond and Interest	Utility Construction	Utility Bond and Interest Reserve	City Court Fees	Totals
Cash and investments - beginning	\$ 12	\$ 316,001	\$ 95,103	\$ 314	\$ 229,860	\$ 9,081	\$ 2,983,664
Receipts:							
Taxes	-	-	-	-	-	-	7,924,929
Licenses and permits	-	-	-	-	-	-	30,955
Intergovernmental	-	-	-	-	-	-	5,344,546
Charges for services	-	-	-	-	-	-	835,495
Fines and forfeits	-	-	-	-	-	407,692	603,851
Utility fees	-	2,492,857	-	-	-	-	2,492,857
Other receipts	-	250	352,784	-	-	-	10,466,597
Total receipts	-	2,493,107	352,784	-	-	407,692	27,699,230
Disbursements:							
Personal services	-	-	-	-	-	-	7,742,902
Supplies	-	-	-	-	-	-	368,050
Other services and charges	-	-	-	-	-	-	2,530,607
Debt service - principal and interest	-	-	273,791	-	-	-	273,791
Capital outlay	-	238,757	136,080	-	-	-	758,013
Utility operating expenses	-	1,057,181	-	-	-	-	1,057,181
Other disbursements	-	864,480	-	-	136,178	407,092	15,438,830
Total disbursements	-	2,160,418	409,871	-	136,178	407,092	28,169,374
Excess (deficiency) of receipts over disbursements	-	332,689	(57,087)	-	(136,178)	600	(470,144)
Cash and investments - ending	\$ 12	\$ 648,690	\$ 38,016	\$ 314	\$ 93,682	\$ 9,681	\$ 2,513,520

CITY OF BEECH GROVE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEBT  
December 31, 2010

The City has entered into the following debt:

Description of Asset	Ending Balance	Due Within One Year
Beech Grove Civil City Debt:		
Capital leases:		
Street Sweeper	\$ 15,746	\$ 15,926
Dump Truck	<u>4,932</u>	<u>5,007</u>
Total - capital leases	<u>20,678</u>	<u>20,933</u>
Tax Anticipation Warrants	<u>2,985,000</u>	<u>2,802,612</u>
Bonds:		
General Obligation bonds:		
City Hall and Police Station Projects, Fire Truck Purchase, Street and Park Improvements, Issue 2002	285,000	100,795
Public Safety Equipment, Issue 2006	<u>340,000</u>	<u>236,653</u>
Total - general obligation bonds	<u>625,000</u>	<u>337,448</u>
Tax Increment Financing (TIF) bonds:		
Issue of 2005	2,310,000	283,098
Issue of 2007	<u>2,675,000</u>	<u>286,553</u>
Total - tax increment financing bonds	<u>4,985,000</u>	<u>569,651</u>
Total - bonds payable	<u>5,610,000</u>	<u>907,099</u>
Wastewater Utility Debt:		
Capital leases:		
Front Loader	<u>42,295</u>	<u>21,194</u>
Notes and loans:		
State Revolving Fund (SRF) Loan	<u>1,515,222</u>	<u>133,449</u>
Revenue bonds:		
Sewage Works System Improvements, Issue 2005A	<u>749,102</u>	<u>75,551</u>
Total Debt	<u><u>\$ 10,922,297</u></u>	<u><u>\$ 3,960,838</u></u>

CITY OF BEECH GROVE  
EXAMINATION RESULTS AND COMMENTS

***LATE PAYMENTS, PENALTIES, INTEREST, AND OTHER CHARGES***

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid timely.

During 2010, the City was paying Indianapolis Water (Veolia) for 2008 services. At year-end, the City owed a total outstanding balance of \$946,404.31 to Veolia for 2008, 2009, and 2010 services. For 2011, the City is paying the current assessed monthly charges but has not made payments on the outstanding balance from prior years.

At year-end, the City had not paid Supernova Technologies for monthly services since May 2010. On January 21, 2011, the City settled with Supernova Technologies regarding the payment of the 2010 services from May 1 to December 31 for \$40,950.

Late fees totaling \$75 were paid to SBS Indianapolis on November 14, 2010, for the 2010 service periods of August 15 to September 15 and September 15 to October 15.

Late fees totaling \$155 were paid to 1st Source Bank during 2010 relating to delinquent capital lease payments.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***COMPENSATION AND BENEFITS***

Two Board of Public Works members received \$2,500.08 each in payment for their services in 2010. The salary ordinance allotted \$2,420 per member; therefore, they each were overpaid \$80.08. The City plans to recover of these amounts by deducting the amount from the June 3 paycheck.

Additionally, the Salary Ordinance does not include approved rates for hourly employees.

Similar comments appeared in the prior Report B37772.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BEECH GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***SALARIES AND CITY EXPENSES PAID BY THE WASTEWATER UTILITY***

The City Attorney was reclassified to Office Manager then to City Court Clerk and was paid equally from the General and Sewage Works funds. The City Council approved salary ordinance did not specify her salary as one to be allocated to the sewage utility. No documentation was provided to support the salary allocation. A similar comment appeared in the prior Report B37772.

Various other employee salaries were allocated between the City and Wastewater Utility or paid entirely by the Wastewater Utility with no documentation provided to support the Wastewater Utility's portion.

Additionally, operating funds from the Wastewater Utility were also used to pay for general expenses related to the City.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***SERVICE AND TIME RECORDS***

Employee time or attendance records were not properly utilized at all departments. It was identified during the testing of payroll that department heads are signing payroll vouchers, not individual time sheets. The payroll vouchers did not indicate the hours used by type; therefore, they were incomplete and not sufficient.

The Fire Department is using an alternative form instead of using the prescribed Employee Service Record (General Payroll Form 99a). Their unapproved form does not include any leave balances which is a necessary part of the prescribed form. Therefore, we were not able to determine if the fire department employees were in compliance with the City's sick leave policy of accumulating to a maximum of 1,440 hours.

Similar comments appeared in the prior two reports, most recently Report B37772.

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

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

CITY OF BEECH GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**TRAVEL POLICY**

The travel guidance presented for examination is part of the Personnel Manual/Code of Ordinances book (section 37.09) and is dated 1994. No mention is made in the City's travel guidance regarding hotel/motel room costs and meals reimbursement. A similar comment appeared in prior Report B37772.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OFFICIAL BOND**

The City did not purchase 2010 bond coverage for the Clerk-Treasurer or the City Judge.

Indiana Code 5-4-1-18(a) states in part:

"Except as provided in subsection (b), the following city, . . . officers and employees shall file an individual surety bond: (1) City judges, controllers, clerks, and clerk-treasurers. . . .

Indiana Code 5-4-1-18(c) states in part:

"(c) The fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000). . . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000) . . ."

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

Indiana Code 5-4-1-19 states:

"The bonds prescribed by IC 5-4-1-18 cover the faithful performance of the duties of the officer or employee, including the duty to comply with IC 35-44-1-2 and the duty to account properly for all monies and property received by virtue of his position or employment."



CITY OF BEECH GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

***CRIME INSURANCE POLICIES***

General Ordinance Number 1, 2001, authorized the purchase of a blanket bond to cover the faithful performance of all employees, board members, and persons acting on behalf of the City in accordance with IC 5-4-1-18. Therefore, the City of Beech Grove purchased annual crime insurance policies that covered all nonelected and nonappointed employees with a limit of coverage per crime loss in the amount of \$100,000. The crime insurance policy procured by the City of Beech Grove has not been filed in the office of the County Recorder. A similar comment appeared in the prior Report B37772.

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***INTERNAL CONTROLS OVER PARK RECEIPTS***

Controls for receipts generated by the sales of dog park applications and fitness center memberships are insufficient.

Dog Park applications are not prenumbered and therefore could not all be accounted for. There is a charge for a key to enter the Park; however, an inventory is not maintained over those accountable items.

The Fitness Center sells memberships. The membership cards are not prenumbered and therefore could not all be accounted for.

Similar comments appeared in the prior Report B37772.

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)

***CAPITAL ASSET RECORDS***

The City records capital asset additions, but does not maintain a comprehensive listing of all assets of the City. For example, the record does not include any value for land. Numerous assets were listed with no cost amount.

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of capital assets are added to subsidiary accounts for land, buildings, etc. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

CITY OF BEECH GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

A similar comment appeared in the prior two reports, most recently Report B37772.

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)

***BOARD MINUTES - REDEVELOPMENT COMMISSION***

Not all minutes of meetings of the Redevelopment Commission were available for examination. A similar comment appeared in the prior Report B37772.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CITY OF BEECH GROVE  
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2011, with Sarah M. Kincaid, former Clerk-Treasurer.

The contents of this report were discussed on May 24, 2011, with O. Chris Duffer, Clerk-Treasurer, and Terry A. Dilk, Mayor.

The official response has been made a part of this report and may be found on pages 26 through 28.



May 27, 2011

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis IN 46204-2765

Re: Official Response  
SBOA Audit for Calendar Year 2010  
City of Beech Grove, Indiana

Dear Sir or Madam,

This letter will serve as the City's official response to the exit audit interview conducted with Ms. Kathy Kemp on Tuesday, May 24, 2011.

#### **LATE PAYMENTS, PENALTIES, INTEREST, AND OTHER CHARGES**

Last year, 2010, the Clerk Treasurer for the city, Ms Sarah Kincaid, decided to resign her position at the end of August. It was a very disorganized and hectic time. Her replacement, the current Clerk Treasurer, Chris Duffer, was elected to fulfill the rest of her term through the end of 2011. Many things were left undone and undocumented causing the city to be concerned that it might default on its Tax Anticipation Warrant obligation. With this disarray and uncertainty, some invoices were not paid in a timely fashion. This situation has been corrected. We were able to finish the year in the black and going forward, we expect invoices and other charges to be paid in a timely manner.

Concerning the Indianapolis Water (Veolia) invoice, this past due amount is disputed and the city is in negotiations with Indianapolis Water on this issue. Current invoices are being paid on time. We expect a resolution on the disputed amount this year.

#### **COMPENSATION AND BENEFITS**

Again, this situation has been corrected for 2011. The two Board of Works members have paid back the over payment of \$80.08. The Salary Ordinance will include rates for hourly employees and other changes suggested by Ms. Kemp for 2012.

## **SALARIES AND CITY EXPENSES PAID BY THE WASTEWATER UTILITY**

The previous mayor, Joe Wright, resigned in January of this year. He had set from where each employee's salary was derived, either City Corporate or Wastewater Utility. When the new mayor took over, he and the new Clerk Treasurer went over these employees and re-examined their service to the city and the proportions of their salaries were more accurately allocated commensurate with their duties to each business entity.

Likewise, Wastewater Utility funds are no longer used to pay expenses for the City.

## **SERVICE AND TIME RECORDS**

The examiner, Kathy Kemp, liked the form the Police Department uses. We have subsequently petitioned the SBOA to approve this form for usage by all employees and have been approved. Going forward an approved form will be used so as to correct this discrepancy.

The Fire Department uses Telestaff. Year end reports indicate sick days computed into hours. Since the fire department works 24 hour shifts, this system converts sick time earned based on the 24 hour day. When sick time is taken, it also records a 24 hour sick day taken. When an employee retires, their sick time buy back is based on maximum days of 180, which calculates to 4,320 hours for firemen. It is then calculated at the employee's current hourly rate. (Example: if a fireman earns 25.00 hour, and has 180 days sick upon retirement, he would receive a check in the amount of \$18,000.00. This is based on 90 payable days x 8 x \$25.00. Based on the hourly calculation, he would get 4320 hours divided by 24 which is 180 divided by 2 which is 90 at an hourly rate of \$25.00 is 18,00.00.)

## **TRAVEL POLICY**

Work has already begun on an updated travel policy and will be completed before the end of September 2011.

## **OFFICIAL BOND**

It was thought by the prior administration that elected officials were covered by the city's Crime Insurance Policy. When this was brought to the attention of the current Clerk Treasurer the situation was corrected by obtaining a \$15,000.00 bond for the City Judge and a \$300,000.00 bond for the Clerk Treasurer and filing them with the Marion County Recorder before the examiner had completed her examination.



## **CRIME INSURANCE POLICIES**

The Crime Insurance Policy has now been filed with the Marion County Recorder.

## **INTERNAL CONTROLS OVER PARK RECEIPTS**

Dog Park applications have been removed from the Parks Department brought back into the operations of City Hall. Dog Park applications will now be pre-numbered and under the direct control of the Clerk Treasurer. Inventory on these items will be strictly monitored.

The Fitness Center's memberships will now be pre-numbered and issued for the duration of the membership. When the current membership expires a new card will be issued to facilitate more accurate control of memberships and proceeds.

## **CAPITAL ASSET RECORDS**

A comprehensive listing of all City assets will be compiled and maintained listing accurate cost values.

A comprehensive listing of all Utility assets will be compiled and maintained listing accurate cost values.

## **BOARD MINUTES – REDEVELOPMENT COMMISSION**

The Clerk Treasurer of the City does not act as the secretary for the RDC, rather this falls to a designated member of the RDC. Minutes from before August 2010 were missing and unable to be created due to no record of the meeting being taken at the time of the meeting. Records are now being maintained and this issue should be resolved.

Several of these issues were corrected immediately upon being brought to my attention by the examiner. I take direct responsibility for these issues. The City, under my administration, will correct these remaining issues and will strive for total compliance next year.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Chris Duffer, Clerk Treasurer  
City of Beech Grove, Indiana