

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF BEECH GROVE

MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
03/08/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6
Notes to Financial Statement.....	7-12
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-19
Schedule of Payables and Receivables	20
Schedule of Leases and Debt	21
Schedule of Capital Assets.....	22
Examination Results and Comments:	
Annual Report.....	23
Bank Account Reconciliations	24
Appropriations.....	24
COIT Fund Distributions and Uses.....	25
Political Expenditures	25-26
Unallowable Use of Redevelopment Funds	26-27
Collection of Amounts Due – Main Street Loans.....	27-28
Main Street Loan Documentation	28-29
City Expenses Paid by the Sewage Utility.....	29
Merit Commission Expenses	29-30
Bills Paid Late – Redevelopment Commission.....	30
Transaction Recording – Receipts	30
Building Permits and Receipt Issuance.....	30-31
Report of Collections	31
Compensation and Benefits	31-32
Board Minutes.....	32
Sales Tax.....	32
Official Bond	33
Crime Insurance Policies.....	34
Exit Conference.....	35
Official Responses	36-44

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	O. Chris Duffer F. Daniel McMillan	08-29-10 to 12-31-11 01-01-12 to 12-31-15
Mayor	Honorable D. Joseph Wright (Vacant) Honorable Terry A. Dilk Honorable Dennis Buckley	01-01-08 to 01-17-11 01-18-11 to 01-25-11 01-26-11 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	John Jennings Edward Bell	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of Public Works and Safety	Honorable D. Joseph Wright (Vacant) Honorable Terry A. Dilk Honorable Dennis Buckley	01-01-11 to 01-17-11 01-18-11 to 01-25-11 01-26-11 to 12-31-11 01-01-12 to 12-31-12
Judge	Honorable Charles Hunter Honorable Andrew Wells	01-01-08 to 12-31-11 01-01-12 to 12-31-15



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 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, 2011 to December 31, 2011. 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 statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2011, on the basis of accounting described in Note 1.

Included in the financial statement are the receipts and disbursements activity from emergency telephone system fees (IC 36-8-16) and enhanced wireless emergency telephone fees (IC 36-8-16.5). In accordance with Indiana Code 36-8-16-14 and Indiana Code 36-8-16.5-41 these fees have been subject to an annual examination performed by the State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement.

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

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

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

August 23, 2012

(This page intentionally left blank.)

FINANCIAL STATEMENT

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

CITY OF BEECH GROVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL	\$ 102,071	\$ 12,689,454	\$ 12,782,259	\$ 9,266
MOTOR VEHICLE HIGHWAY	6,931	1,127,367	1,133,344	954
LOCAL ROAD & STREET	4,037	272,820	275,936	921
PARKS NON-REVERTING	4,301	-	-	4,301
HEALTH-RETIREES	18,758	101,442	106,197	14,003
LOCAL LAW ENFORCEMENT	24,907	13,072	16,762	21,217
RAINY DAY FUND	62,931	-	7,798	55,133
LEVY EXCESS FUND	15,373	-	15,348	25
CUMULATIVE CAPTAL DEVELOPMENT	2,835	-	-	2,835
REVOLVING LOAN	84,009	25,357	10,002	99,364
POLICE PENSION	126,131	849,588	882,966	92,753
FIRE PENSION	52,217	591,353	551,724	91,846
PUBLIC SAFETY	740	909,055	826,653	83,142
MAYOR'S DONATION	104	-	-	104
RDAF ALLOCATION/GENERAL	110	-	-	110
CRIMINAL INVESTIGATION	320,407	168,177	273,310	215,274
PARKS-SOFTBALL	1,218	-	-	1,218
PARK DONATION	974	1,300	1,275	999
SENIOR CITIZENS DONATION	29,961	4,997	7,420	27,538
POLICE DONATION	2,575	3,250	2,573	3,252
FIRE DONATION	4,028	100	1,019	3,109
CABLE DONATION	102	-	-	102
2006 BOND ISSUE	20,596	-	-	20,596
BOND & INTEREST REDEMPTION	9,119	561,807	628,870	(57,944)
INSURANCE - FIRE TRUCK REPAIR	-	20,318	19,845	473
INS REIMBURSEMENT/MAILBOX	-	2,854	630	2,224
PAYROLL BAL.END OF 2004	12	250	-	262
PAYROLL	23,539	6,694,917	6,664,797	53,659
POLICE/FIRE TRUST	2,530	-	-	2,530
SEWAGE UTILITY OPERATING	648,690	2,428,307	2,729,427	347,570
UTILITY BOND & INTEREST	38,016	210,767	248,783	-
UTILITY CONSTRUCTION	314	-	-	314
UTILITY B&I RESERVE	93,682	-	-	93,682
RDAF - DEBT SERVICE RESERVE	584,065	291	-	584,356
RDAF - GENERAL ACCOUNT	218,556	1,166,144	1,260,689	124,011
SRF BEECH GROVE DSR	136,178	-	-	136,178
CITY COURT	9,687	247,625	252,766	4,546
TOTALS	<u>\$ 2,649,704</u>	<u>\$ 28,090,612</u>	<u>\$ 28,700,393</u>	<u>\$ 2,039,923</u>

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

CITY OF BEECH GROVE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Funding Policy

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

Note 7. Subsequent Events

On August 7, 2012, the City issued the General Obligation Bond of 2012 in the amount of \$1,995,000. Proceeds from the bond issue will be used to purchase a fire truck and an ambulance, repairs to buildings and other infrastructure, and other stated costs listed in the Bond.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	PARKS NON- REVERTING	HEALTH RETIREES	LOCAL LAW ENFORCEMENT	RAINY DAY FUND
Cash and investments - beginning	\$ 102,071	\$ 6,931	\$ 4,037	\$ 4,301	\$ 18,758	\$ 24,907	\$ 62,931
Receipts:							
Taxes	3,669,043	228,981	-	-	-	-	-
Licenses and permits	39,865	-	-	-	-	5,090	-
Intergovernmental	1,888,395	628,210	272,820	-	-	-	-
Charges for services	503,701	-	-	-	-	2,100	-
Fines and forfeits	92,405	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,496,045	270,176	-	-	101,442	5,882	-
Total receipts	<u>12,689,454</u>	<u>1,127,367</u>	<u>272,820</u>	<u>-</u>	<u>101,442</u>	<u>13,072</u>	<u>-</u>
Disbursements:							
Personal services	5,796,462	505,527	-	-	106,197	-	7,798
Supplies	218,221	63,958	42,960	-	-	-	-
Other services and charges	1,737,305	228,011	168,993	-	-	-	-
Debt service - principal and interest	4,938,940	-	-	-	-	-	-
Capital outlay	22,689	70,848	63,983	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	68,642	265,000	-	-	-	16,762	-
Total disbursements	<u>12,782,259</u>	<u>1,133,344</u>	<u>275,936</u>	<u>-</u>	<u>106,197</u>	<u>16,762</u>	<u>7,798</u>
Excess (deficiency) of receipts over disbursements	<u>(92,805)</u>	<u>(5,977)</u>	<u>(3,116)</u>	<u>-</u>	<u>(4,755)</u>	<u>(3,690)</u>	<u>(7,798)</u>
Cash and investments - ending	<u>\$ 9,266</u>	<u>\$ 954</u>	<u>\$ 921</u>	<u>\$ 4,301</u>	<u>\$ 14,003</u>	<u>\$ 21,217</u>	<u>\$ 55,133</u>

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	LEVY EXCESS FUND	CUMULATIVE CAPITAL DEVELOPMENT	REVOLVING LOAN	POLICE PENSION	FIRE PENSION	PUBLIC SAFETY	MAYOR'S DONATION
Cash and investments - beginning	\$ 15,373	\$ 2,835	\$ 84,009	\$ 126,131	\$ 52,217	\$ 740	\$ 104
Receipts:							
Taxes	-	-	-	-	50,320	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	544,588	341,033	-	-
Charges for services	-	-	25,357	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	305,000	200,000	909,055	-
Total receipts	-	-	25,357	849,588	591,353	909,055	-
Disbursements:							
Personal services	-	-	-	528,263	331,147	86,794	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	49,703	20,577	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	15,348	-	-	-	-	739,859	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	10,002	305,000	200,000	-	-
Total disbursements	15,348	-	10,002	882,966	551,724	826,653	-
Excess (deficiency) of receipts over disbursements	(15,348)	-	15,355	(33,378)	39,629	82,402	-
Cash and investments - ending	\$ 25	\$ 2,835	\$ 99,364	\$ 92,753	\$ 91,846	\$ 83,142	\$ 104

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	RDAF ALLOCATION/ GENERAL	CRIMINAL INVESTIGATION	PARKS- SOFTBALL	PARK DONATION	SENIOR CITIZENS DONATION	POLICE DONATION
Cash and investments - beginning	\$ 110	\$ 320,407	\$ 1,218	\$ 974	\$ 29,961	\$ 2,575
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	151,312	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	16,865	-	1,300	4,997	3,250
Total receipts	-	168,177	-	1,300	4,997	3,250
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	7,420	-
Other services and charges	-	-	-	283	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	273,310	-	992	-	2,573
Total disbursements	-	273,310	-	1,275	7,420	2,573
Excess (deficiency) of receipts over disbursements	-	(105,133)	-	25	(2,423)	677
Cash and investments - ending	<u>\$ 110</u>	<u>\$ 215,274</u>	<u>\$ 1,218</u>	<u>\$ 999</u>	<u>\$ 27,538</u>	<u>\$ 3,252</u>

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	FIRE DONATION	CABLE DONATION	2006 BOND ISSUE	BOND & INTEREST REDEMPTION	INSURANCE - FIRE TRUCK REPAIR	INS REIMBURSEMENT MAILBOX
Cash and investments - beginning	\$ 4,028	\$ 102	\$ 20,596	\$ 9,119	\$ -	\$ -
Receipts:						
Taxes	-	-	-	240,568	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	151,187	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	100	-	-	170,052	20,318	2,854
Total receipts	<u>100</u>	<u>-</u>	<u>-</u>	<u>561,807</u>	<u>20,318</u>	<u>2,854</u>
Disbursements:						
Personal services	-	-	-	-	19,845	630
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	458,870	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,019	-	-	170,000	-	-
Total disbursements	<u>1,019</u>	<u>-</u>	<u>-</u>	<u>628,870</u>	<u>19,845</u>	<u>630</u>
Excess (deficiency) of receipts over disbursements	<u>(919)</u>	<u>-</u>	<u>-</u>	<u>(67,063)</u>	<u>473</u>	<u>2,224</u>
Cash and investments - ending	<u>\$ 3,109</u>	<u>\$ 102</u>	<u>\$ 20,596</u>	<u>\$ (57,944)</u>	<u>\$ 473</u>	<u>\$ 2,224</u>

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	PAYROLL BAL. END OF 2004	PAYROLL	POLICE/FIRE TRUST	SEWAGE UTILITY OPERATING	UTILITY BOND & INTEREST	UTILITY CONSTRUCTION
Cash and investments - beginning	\$ 12	\$ 23,539	\$ 2,530	\$ 648,690	\$ 38,016	\$ 314
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	2,251,185	-	-
Other receipts	250	6,694,917	-	177,122	210,767	-
Total receipts	250	6,694,917	-	2,428,307	210,767	-
Disbursements:						
Personal services	-	6,664,797	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	248,783	-
Capital outlay	-	-	-	1,132,181	-	-
Utility operating expenses	-	-	-	1,366,533	-	-
Other disbursements	-	-	-	230,713	-	-
Total disbursements	-	6,664,797	-	2,729,427	248,783	-
Excess (deficiency) of receipts over disbursements	250	30,120	-	(301,120)	(38,016)	-
Cash and investments - ending	\$ 262	\$ 53,659	\$ 2,530	\$ 347,570	\$ -	\$ 314

CITY OF BEECH GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	UTILITY B&I RESERVE	RDAF - DEBT SERVICE RESERVE	RDAF RDAF - GENERAL ACCOUNT	SRF BEECH GROVE DSR	CITY COURT	TOTALS
Cash and investments - beginning	\$ 93,682	\$ 584,065	\$ 218,556	\$ 136,178	\$ 9,687	\$ 2,649,704
Receipts:						
Taxes	-	-	885,525	-	-	5,074,437
Licenses and permits	-	-	-	-	-	44,955
Intergovernmental	-	-	-	-	-	3,826,233
Charges for services	-	-	-	-	-	682,470
Fines and forfeits	-	-	-	-	-	92,405
Utility fees	-	-	-	-	-	2,251,185
Other receipts	-	291	280,619	-	247,625	16,118,927
Total receipts	-	291	1,166,144	-	247,625	28,090,612
Disbursements:						
Personal services	-	-	-	-	-	14,047,460
Supplies	-	-	-	-	-	332,559
Other services and charges	-	-	-	-	252,766	2,916,508
Debt service - principal and interest	-	-	858,770	-	-	6,046,493
Capital outlay	-	-	44,283	-	-	2,089,191
Utility operating expenses	-	-	390	-	-	1,366,923
Other disbursements	-	-	357,246	-	-	1,901,259
Total disbursements	-	-	1,260,689	-	252,766	28,700,393
Excess (deficiency) of receipts over disbursements	-	291	(94,545)	-	(5,141)	(609,781)
Cash and investments - ending	\$ 93,682	\$ 584,356	\$ 124,011	\$ 136,178	\$ 4,546	\$ 2,039,923

CITY OF BEECH GROVE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental Activities	\$ 745,522	\$ -
City Of Beech Grove Wastewater	59,076	195,362
Totals	\$ 804,598	\$ 195,362

CITY OF BEECH GROVE
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
1st Source	Dump Truck with Front Loader - Public Works	\$ 23,121	12-14-06	12-14-12
Gordon Flesch	3 Copiers - Clerks Office Police Department and Fire Department	4,920	10-01-11	09-30-16
Sharp	Copier - at Senior Citizens Center	3,480	07-12-05	06-12-12
Sharp	Copier - at Community Center	1,800	03-15-08	02-15-13
Total governmental activities		<u>33,321</u>		
Total of annual lease payments		<u>\$ 33,321</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2002	\$ 150,000	\$ 105,225
Notes and loans payable	Redevelopment TIF 2005	2,130,000	284,926
Notes and loans payable	Redevelopment TIF 2007	<u>2,510,000</u>	<u>283,232</u>
Total governmental activities		<u>4,790,000</u>	<u>673,383</u>
City Of Beech Grove Wastewater:			
Revenue bonds	2005A - City of Beech Grove Sewage Works Revenue Bond	844,102	68,627
Notes and loans payable	SRF Loan City of Beech Grove Project # WW0509491	<u>1,477,818</u>	<u>78,227</u>
Total City Of Beech Grove Wastewater		<u>2,321,920</u>	<u>146,854</u>
Totals		<u>\$ 7,111,920</u>	<u>\$ 820,237</u>

CITY OF BEECH GROVE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 1,500,000
Infrastructure	22,737,127
Buildings	12,680,522
Improvements other than buildings	255,100
Machinery, equipment and vehicles	3,557,392
Total governmental activities	40,730,141
City Of Beech Grove Wastewater:	
Infrastructure	88,872,500
Total capital assets	\$ 129,602,641

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2011 was filed timely but contained errors in reporting disbursements, receipts, and fund balances. Additionally, the debt service fund from a State Revolving Fund (SRF) loan was not reported on the Annual Report. The following list describes the adjustments made to the financial statements presented to correct the errors in the Annual Report:

1. The funds of the SRF Beech Grove DSR Fund were not shown on the records or reported on the annual report. This fund had no activity in 2011 but had a cash balance of \$136,178.37 which was the cash reserve balance required by the SRF loan.
2. Disbursements of \$42,450 were misreported as expenditures of the Sewage Utility Operating Fund which also caused the ending cash balance to be understated. The correction decreased the fund's disbursements and increased the cash balance.
3. Disbursements of \$42,450 were not included as expenditures of the RDAF-General Account Fund which also caused the ending cash balance to be overstated. The correction increased the fund's disbursements and decreased the cash balance.
4. There were some errors in correctly reporting property tax distributions. One error affected the receipts and disbursements of the General Fund and the RDAF General Account Fund. A transfer between bank accounts inflated receipts and disbursements, so a correction to the General Fund to reduce receipts and disbursements by \$885,525 was made to eliminate the duplication. The RDAF General Account Fund reported property taxes as miscellaneous receipts which also required correction. Additionally, property taxes for Payment in Lieu of Taxes (PILOT) were incorrectly reported as other revenue in the General and Bond and Interest Redemption Funds. The PILOT reclassification totaled \$37,093.
5. County distributions for County Option Income Tax (COIT) were misclassified as miscellaneous revenues in the Motor Vehicle Highway, Local Road and Street, and Bond and Interest Redemption Funds. These were reclassified as intergovernmental revenues for a total amount of \$371,000.
6. The RDAF - General Account Fund originally overstated state distributions by \$280,000 because loan proceeds were improperly included as intergovernmental revenue, but should have been reported as other receipts.
7. Other disbursement misclassifications were corrected, including repayment of interfund loans as payroll disbursements in the Police Pension and Fire Pension Funds.
8. General Fund repayment of tax anticipation warrants in the amount of \$3,590,000 were misclassified as contractual services but a correction has been made to report the repayment as debt service disbursements.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

The December 31, 2011 depository reconciliations of the fund balances to the bank account balances were incorrect. There were two reconciling items which could not be verified. The amounts were immaterial and do not affect the financial statement opinion. Some of the outstanding checks were posted as disbursements on December 31, 2011, but were actually written in 2012.

A deposit in transit dated December 30, 2011, in the amount of \$1,890.26 was listed as an outstanding item, but no deposit was made for this amount in January 2012. The January 30, 2012 reconciliation also contained this deposit in transit, but the amount had been reduced to \$506.23. We were not able to locate a deposit on the bank statement or a correction. The Clerk-Treasurer's staff could not explain how this was corrected either in 2011 or 2012. Similarly, there was an amount listed as an outstanding check in the amount of \$846.99 dated December 31, 2011, which was a posting of a transfer. This item only appeared on the December 31, 2011 bank reconciliation and does not appear on reconciliations after that date. The Clerk-Treasurer's staff could not explain how this was corrected in 2011 or 2012.

The 2011 records were not closed until February 2012 which led to 2011 and 2012 receipts and checks being written out of numerical sequence in several instances. Ten (10) checks listed on the December 31, 2011 outstanding check lists for the bank reconciliations were written in late January or February 2012. Two checks posted as being paid on December 31, 2011, had a check date of February 7, 2012. The other eight (8) checks were dated December 31, 2011.

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

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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of the 2011 budgeted appropriations:

Fund	Excess Amount Expended
General	\$ 926,557
Motor Vehicle Highway	1,137
Local Road & Street	109,519
Bond & Interest Redemption	116,467
Rainy Day Fund	7,798
Local Law Enforcement	2,762

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

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

COIT FUND DISTRIBUTIONS AND USES

The 2011 County Option Income Tax (COIT) distributions were receipted to the General Fund. Then, at year end, a reallocation was made to redistribute some COIT funds. Information provided during the examination indicated that the reallocation was made to prevent reporting of negative fund balances. As required, the City Council authorized the Motor Vehicle Highway Fund (MVH) to receive some of the COIT distributions through the budget estimates and the adoption of Resolution No. 3 on October 25, 2010.

Except for the allocation to MVH noted by the City Council, we found no authorization for the reallocation of the COIT Funds. On December 31, 2011, a total of \$371,000 was transferred to the following funds:

Fund	Transferred From General
Motor Vehicle Highway	\$ 213,000
Local Road & Street	26,000
Bond and Interest Redemption	132,000

City Council Resolution No. 3 adopted on October 25, 2010, stated in part:

"Whereas, the Beech Grove City Council finds that it has specific needs regarding the allocation of revenues and funding of appropriations; now therefore: . . .

- 2) County Option Income Tax should be allocated to the MVH fund sufficient to support adopted appropriations with minimal operating balances,
- 3) All remaining civil maximum levy and County Option Income Tax is to be allocated to the General Fund. . . ."

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)

POLITICAL EXPENDITURES

A payment was made by the City of Beech Grove to DABSADS for production of a campaign video promoting re-election of former Mayor Joe Wright. This payment was made from the General Fund on December 27, 2007, in the amount of \$2,487.50 and included as part of check 8361. We were not able to locate the actual claim form since many records from 2007 were destroyed. The ledger reflected check number 8361 as paying for invoices # 1117-J/Website Development and #1117-K/Monthly each for \$2,487.50.

A statement, located in a file of the Mayor's office, was used to identify that the payment was for a campaign video and not for "website development" as indicated on the ledger. We were able to confirm the payment information on the statement by verifying the dates of payments and invoice numbers with the City's records, specifically to a vendor detail history report for DABSADS. Additionally, we viewed videos listed on the statement, which were produced by DABSADS and aired on YouTube, to verify the videos aired with the

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

name/descriptions listed on the statement. Specifically, the statement located in the mayor's office indicated that 14 videos were produced with the "city" as the client for subject matters mostly related to city activities. There was one video made which indicated the city as the client with no subject listed. These videos were paid for on seven different invoices, which were numbered 1117-A through 1117-G. Invoice 1117-G was paid in May 2007. We verified that these payments were made in accordance with the statement to the vendor detail history and have no exception to those payments.

However, the statement then indicated that an additional 9 videos were made with "campaign" indicated as the client. These videos were billed on four different invoices, which were numbered 1117-H through 1117-J and 1220. Based on the vendor detail history, Invoice 1117-J in the amount of \$2,487.50 was paid for by the City, although it was for the purpose of former Mayor Wright's campaign. The subject line on the statement for this video was "Backyard chats". It was determined that the video produced and seen on YouTube, is titled, "Elect Mayor Joe Wright Being the Incumbent" which begins with information on the budget, then moves to his campaign headquarters and backyard chats after approximately one and a half minutes into the video.

The statement indicated that video #24 was for another client named "Bravura" and the video subject was "Do-It Best", a local hardware store's name. Bravura was a personal business operation of the former Mayor Wright. The statement listed this video as being produced March 19, 2007, and did not indicate any payment date. We did not find that this video was paid for by the City.

As mentioned in the first paragraph, the City made a payment of \$2,487.50 for invoice 1117K but the statement provided for examination did not include a reference to invoice 1117K; therefore, we could not determine if this payment was for legitimate city purposes. Additionally, another payment was made to DABADS in the amount of \$2,487.50 on January 10, 2008, which included a description as 1117-L/ Video Magazine on the vendor detail history. However, nothing additional could be provided for examination; therefore, we could not determine if this payment was for legitimate city purposes. Based on the lack of supporting documentation and the other issues identified within this comment we find these payments questionable.

We requested Donald J. Wright, former Mayor, to reimburse the City \$2,487.50 for political campaign expenses incurred during 2007. Repayment was received in the amount of \$2,487.50 from the Beech Grove Republican Candidates Committee and receipted to the General Fund on January 3, 2013, Receipt No. 18465.

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UNALLOWABLE USE OF REDEVELOPMENT FUNDS

The City paid \$15,087.50 for lobbying to a legal firm from the RDAF - General Acct Fund which was funded with Tax Increment Financing (TIF) funds. A single payment made on January 20, 2011, to a legal firm for their monthly services for Federal Lobbying from May to August 2010 and other Lobbying in 2010. Nothing noted on the billing related to any allowable uses of the Redevelopment TIF funds.

Indiana Code 36-7-14-39(b)(2) states in part:

"Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.
- (G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.
- (H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.
- (I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. . . .
- (J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.
- (K) Reimburse public and private entities for expenses incurred in training employees . . .
- (L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. . . .

The allocation fund may not be used for operating expenses of the commission."

COLLECTION OF AMOUNTS DUE - MAIN STREET LOANS

At the close of 2011, there were six loans to business owners who were not making timely payments throughout the year. These loans represented 47 percent of the total loan balances outstanding. File folders did not indicate adequate action was taken to try to secure collection of the loan balances. The same situation had occurred in the past when there were two loans which ended in bankruptcy causing the City to lose approximately \$50,000 in unpaid loans because the City did not actively seek timely payments and the loans were not secured adequately.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

One borrower had a \$30,000 loan from 1992 which was almost paid off. The borrower made his last regular payment in September 2010 and paid one additional payment in May 2011. The loan still has an outstanding balance of \$748.36 at the end of 2011. This company filed bankruptcy in 2011.

Another borrower had a \$25,000 loan from 2003, but regular payments stopped at the end of 2010. Only five payments were made from this business during 2011, three in March and two in September. The balance of the loan was \$10,330.40 at the end of the 2011.

In July 2007, another business owner received two loans totaling \$80,000, but stopped making regular payments in 2010. Payments were made in May and October 2010 with a total of five payments in those months. Another monthly payment was made in January 2011. The City agreed to alter the agreement on both loans to forgive the interest and late fees and to extend the loan one more year, so the borrower would not be penalized for the lapsed payments. The borrower then made monthly payments each month from July to November 2011. Another lapse of payment occurred with no more payments being received until July 2012. At December 31, 2011, this business owner owed \$51,645.55 for both loans.

Two business loans totaling \$50,000 were made in October 2007 to a business owner who stopped making regular payments in 2011. Routine payments were received for the first six months of the year, with the last payment being made in September. At December 31, 2011, this business owner owed \$42,683.51 for both loans.

Other owners have defaulted in the past on their Main Street Revolving Loans. The City has lost money due to lack of seeking timely payment. As listed below, these two loans were the most recent instances of this occurring:

<u>Loan Date</u>	<u>Business</u>	<u>Business Owner</u>	<u>Amount</u>	<u>Month of Last payment</u>	<u>Unpaid Balance</u>	<u>Bankruptcy Date</u>
10-10-07	Glory Days	Rainy Day Investments, LLC	\$ 40,000	January 2009	\$38,813.57	November 2009
03-20-08	Huddle Up	Rainy Day Investments, LLC	20,000	January 2009	17,803.23	November 2009

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)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MAIN STREET LOAN DOCUMENTATION

On March 3, 2011, a loan for \$10,000 was made from the Revolving Loan Fund. We were not able to determine which body of government or its designee approved the loan. The check for the loan was written on March 3, 2011, and the Register of Accounts Payable Voucher on which this disbursement was listed, was signed by the Board of Public Works & Safety on March 9, 2011.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Documents concerning the loan agreement were filed with other Main Street Loans in the Clerk-Treasurer's office. This business owner also received a loan in 2010, so the 2011 loan documents were included in the same file folder as the first loan. No application was found for the \$10,000 loan. The file included the loan agreement and promissory note for the \$10,000 loan.

The Main Street Loan Agreement initially states: "The City of Beech Grove, by and through the Main Street Commission (the "City) . . .".

This Main Street Loan Agreement was signed by the borrower and by the Clerk-Treasurer for the City of Beech Grove, Indiana. A Promissory Note was also signed by the borrower pledging to make payment to the City of Beech Grove, Indiana.

The business owner made timely payments on the 2011 and 2010 loans and was not delinquent at the end of the 2011.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY EXPENSES PAID BY THE SEWAGE UTILITY

Funds were disbursed from the Sewage Utility Operating Fund for various unrelated City expenses. In addition to the payment for the Merit Commission, as noted in the next comment, the Sewage Utility paid \$3,600 for tree removal costs and miscellaneous items which would have been street or park expenses, including the repair of street equipment, purchases of supplies, stone, and a leaf trailer.

Additionally, salaries for some of the Clerk-Treasurer's Office staff were split between the City and Utility funds with no documentation provided to explain the rationale for the prorated amounts.

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. Furthermore, utility funds should not be used to pay for personal items. 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)

MERIT COMMISSION EXPENSES

Disbursements for legal fees associated with the Merit Commission, a commission related to firefighters' salaries and pensions, were paid from the Sewage Utility Operating and Public Safety Funds. The Sewage Utility Operating Fund paid \$10,402.50 in legal fees for the Merit Commission. The amount was incorrectly posted to the disbursement account for Return on Investments. Another payment in the amount of \$3,397.71 was disbursed from the Public Safety Fund, but it was misidentified as police building improvements. This resulted in the legal costs being paid from the wrong fund and misidentified in the detail of disbursements. Corrections were not made for these amounts, due to immateriality to the financial statement.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. Furthermore, utility funds should not be used to pay for personal items. 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)

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

BILLS PAID LATE - REDEVELOPMENT COMMISSION

Several vendors were paid more than four months after their invoice dates. In January 2011, the Redevelopment Commission (RDC) approved payments of \$46,438.13 for old invoices covering periods from April 2010 to August 2010. In July 2011, the RDC paid a vendor \$7,200 for monthly services from October 1, 2009 to September 30, 2010.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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. 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)

TRANSACTION RECORDING - RECEIPTS

Some receipts were deleted and do not appear in the records. We tested eight receipt numbers that were not found in the records. The receipt numbers would have been issued from October to December according to chronological order. Seven of the receipts were deleted and the eighth was not located at all. For the deleted receipts, five of the seven were re-entered on a different receipt on the same day for the same amount. The other two deleted receipts did not have any amounts and appeared incomplete. No explanation was provided for Receipt No. 14912 which was not located on the system. Receipts should not have been deleted but voided so the final records would present the entire series of receipts.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUILDING PERMITS AND RECEIPT ISSUANCE

In our testing of permits for compliance with fees charged and depositing timely, we noted two issues that were not in compliance with proper procedures.

1. There were two permits issued prior to the receipts being written for the fees. The receipts and deposits were delayed 7 days and 13 days after the two permits were issued.
2. The computer system allowed reprinting of a permit with different information than the original permit. We noted that Permit No. 5086 was initially prepared with one address and signed by the clerk upon issuance. A second Permit No. 5086 was provided for testing which listed a different address. Because the same permit number may be issued with different information on it, there was no security over the information initially recorded and data may be changed after issuance.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

REPORT OF COLLECTIONS

The City has several departments collecting money, but the departments were not completing the Report of Collections (General Form 362), or an alternate form, to ensure proper accountability of the money collected. Some departments did not provide any written reports of the funds being submitted or evidence of the receipts they had issued when collecting fees from citizens. The Report of Collections (General Form No. 362) should have been provided to the Clerk-Treasurer each time money was remitted by the collecting departments. In some cases, we could not verify that the receipts collected by the departments were properly remitted or posted because there was no written record for these departments.

Report of Collections (General Form No. 362) - This form is intended to serve the needs of any department, officer or agency which is required to make a report and payment of collections to an officer or governmental unit, except those departments, agencies and officers for which a form has been specifically prescribed or approved.

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)

COMPENSATION AND BENEFITS

Three appointed officials were underpaid based on the adopted Salary Ordinances. Calculations for the portion of payroll earned by the appointees were inaccurate resulting in the underpayment. Additionally, the Salary Ordinances did not include rates for hourly employees. This was reported in prior Report B38854.

Former appointed Mayor Terry Dilk was underpaid \$2,235.37 for his 340 days serving as Mayor. He served as mayor 93 percent of the year and should have received that percentage of the Mayor's salary. Appointed Councilman Gregory Allison was underpaid \$129.59, which was the equivalent of one pay check. These prorated amounts were based on Special Ordinance No. 8, 2010 "An Ordinance Fixing the Salaries of Elected Officials of the City of Beech Grove, Indiana" which was passed on December 20, 2010, by the Common Council.

Former appointed Clerk-Treasurer Chris Duffer was underpaid for his year and 125 days of service. He was appointed Clerk-Treasurer August 29, 2010, and completed the remainder of his predecessor's term ending December 31, 2011. Based on the approved salary ordinances in effect for the two years, he was undercompensated \$2,034.94.

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

A city or town employee on a specified salary, whose employment begins or terminates in the middle of a pay period should be paid only for that part of the period that he has worked. If on a monthly basis and the employee's work is terminated at the end of the day on January 15, for example, he should receive 15/31 of his regular monthly salary for the month of January. If his employment terminates at the end of the day on February 15, he would be entitled to 15/28 or 15/29 (leap year) of his regular monthly salary for the month of February. Partial semimonthly and bi-weekly pay periods would be computed in a similar manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

BOARD MINUTES

The recorded minutes for all City Boards were not maintained in an organized form, but filed in monthly folders with other business conducted at the meetings. The minutes from the Redevelopment Commission meeting on November 17, 2011, were not available for examination. All other minutes were presented for examination.

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."

SALES TAX

Sales tax was paid on some purchases. Several purchases made by the Police Department while using petty cash included sales tax, such as, purchases from Wal-Mart, an auto supply store, or other merchants.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

The Clerk-Treasurer and City Judge obtained official bond coverage for a portion of 2011. Official bonds were properly recorded at the Marion County Recorder's office. However, the Clerk-Treasurer's and Judge's official bonds went into effect April 11 and April 15, respectively. No official bond coverage was in effect during 2010 or for the portion of 2011 prior to the effective dates for these officials. A comment concerning Official Bond Coverage was previously stated in prior Report B38854.

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 thirty thousand dollars (\$30,000)."

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 35-44.1-1-1 and the duty to account properly for all monies and property received by virtue of the officers' position or employment."

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. . . ."

CITY OF BEECH GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 non-elected and non-appointed 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 reports, most recently Report B38854.

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)

CITY OF BEECH GROVE
EXIT CONFERENCES

Exit conferences were held to discuss the contents of this report. On December 27, 2012, a meeting was held with F. Daniel McMillan, Clerk-Treasurer, and O. Chris Duffer, former Clerk-Treasurer. On January 3, 2013, a meeting was held with Honorable Dennis Buckley, Mayor, and Edward Bell, President of the Common Council. The Official Responses have been made a part of this report and may be found on page(s) 36 through 44.

On January 4, 2013, a meeting was held with Honorable D. Joseph Wright, former Mayor, to discuss the comment regarding Political Expenditures.



To: State Board of Accounts

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

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

Re: 2011 Audit

This year, the city's reply to the Annual Audit Examination will be a joint reply from the current Clerk Treasurer, Mr. Dan McMillan and the previous Clerk Treasurer, Mr. Chris Duffer.

Mr. Chris Duffer's Reply:

The first thing that should be noted in the current Audit findings is the absence of items not corrected between the 2010 audit and this 2011 audit. As was promised by the previous Clerk Treasurer, every effort was made to correct the discrepancies found on the 2010 audit. All but one item was corrected before Mr. Duffer left office and with the orderly and friendly administration change, Mr. McMillan corrected, in short order, the final item.

The discrepancies found in 2011 will, in large part, be corrected by personnel changes effected by Mr. McMillan shortly into his term. This has been very effective in correcting the kind of errors found in this examination.

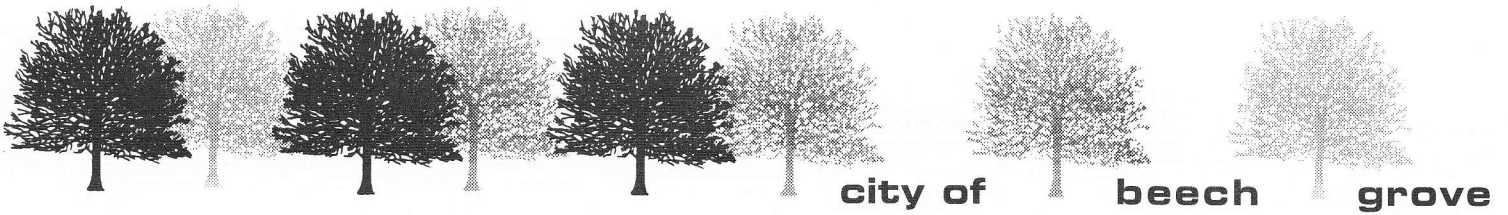
Mr. Dan McMillan's Reply:

I will offer a response to changes I have made that will hopefully clear up some of the previous accounting errors. As I just finished my first year, I can honestly say I have learned a lot and continue to learn every day. Below are changes I have implemented that I hope will result in improvement in the overall accounting procedures for the City of Beech Grove. I am constantly striving to provide accuracy in our accounting procedures and transparency to the office.

- First, I just transferred monies from the 606 to the 610 to insure the SRF retainage fee (cash balance) is available per the SRF agreement.It was not shown in the 2012 reports or appropriated. For 2013 I have set up appropriation numbers and revenue numbers in the 610 for the SRF payments to be receipted in and out of. The 610 is dedicated to the SRF loan.
- The 607 is now dedicated to the 2005A bond, the M.O.U & Capital Projects payments, and the 2012 trash truck leases.
- Taxes are deposited into the general fund and the money is transferred into the correct bank accounts.The taxes are then receipted into the correct funds, with the correct description, and the bank transfer receipts are attached to the fund receipts. This should avoid duplications and errors.
- The RDC now receives monthly dockets. There is still a problem with them approving payment of bills in a timely manner. If this continues, I will do as the auditor suggested and contact the State Board of Accounts.
- I personally review all bills that are paid and I complete the majority of the pay vouchers in Keystone. One employee records all the payroll items, another records the insurance payments and runs the checks. There are three of us involved and interacting constantly.
- The Mayor cannot write checks or approve payments. The clerks office writes all the checks, (and this can only be done with my approval) . Regular claims are only paid after they are reviewed by the clerks office, and found to be in compliance with state statute, and then approved by the Board of Public Works. Errors are now corrected with pay vouchers so they can be reviewed by the Board of Public Works.
- Each month the bank sends us a CD with copies of checks and deposits. Those CD's are now reviewed by an employee and myself to insure check amounts, names, and deposits are correct.
- I have made staff changes.
- We now update daily in Keystone (the accounting program). In the past years, for whatever reason, this was only done monthly. Consequently, changes and corrections were being made to vouchers after they had been approved. Staff had learned ways to manipulate the system to correct mistakes and make adjustments without them showing up.This was a definite concern to the auditor and myself. I am making changes that should safeguard and prevent this from happening in the future. By updating daily, mistakes are realized daily, and corrected daily, and they are now showing on the dockets. Department Heads can now request updated daily reports. Before, they could only get reports that were updated once monthly.
- In June, I also ordered and paid for a new , updated accounting system from Keystone. Expected install date is in March. This program records entries in real time.
- For 2013 I have deleted many of the appropriation numbers that were not being used. I've added, and better defined many appropriation numbers , especially for the 701.
- I am cleaning up the old funds. Many old insurance funds had never been closed and an old softball fund that had not been used in years was closed and money transferred to the parks donation fund. I consulted with Charlie Pride first. The Parks Donation fund has separate appropriation according to what donations were received for.
- On December 31st 2012 all funds were in the positive as well as all appropriation numbers that should be.
- A pilot payment was receipted in from the utility and the bank transfer was made. I also transferred within the general fund, the remaining monies from insurance reimbursements we received in 2012, so those monies will have to be used for appropriated expenditures going forward.
- We are moving forward with closing out the 2012 year and updating and correcting the magnetic media file, the 1099 and W-9 information.
- I created a minutes book.
- All ordinances are up to date with American Publishing.
- I have created a revenue number and two appropriation numbers to be used strictly for the 2013 TAW to pay back the principal and interest.

- Each bond now has separate appropriation numbers for the principal and interest payments due on each one.
- The Main Street Loan program did not process any new loans in the year 2012. The loans in the years were turned over to the city attorney & the firm of Lewis & Kappes for collections.
- The city now has blanket coverage and bond coverage for the clerk and the judge.
- In 2013 the only salaries that will be split between the corporate and sewage are the mayor and the clerk.
- Form 362's will be used in the calendar year of 2013.

I'm certain we have made errors. We look forward to fewer this year. I will continue to try to improve our accounting methods and reach out for assistance from the SBOA with questions. I enjoyed meeting the auditor this year and working with her. She was very helpful in answering questions I had, and it was very convenient having her there to answer those questions.



dennis b buckley
mayor
(317) 791-6060

806 main street
beech grove, indiana 46107
fax (317) 788-4976

dan mcmillan
clerk-treasurer
(317) 803-9106

January 11, 2013

TO: State Board of Accounts
302 W Washington Street, Room E418
Indianapolis, Indiana 46204-2765

FROM: Mayor Dennis Buckley
City of Beech Grove
806 Main Street
Beech Grove, IN 46107

To Whom It May Concern:

This letter shall serve as the Mayor of the City of Beech Grove's official response to the findings and comments in the State Board of Accounts special audit of the City's finances and financial practices.

For your convenience, the response is divided into an executive summary and two subject matter areas: (1) responses to findings and comments within the audit; (2) material concerns not addressed by the audit.

We appreciate the time the State Board of Accounts devoted to researching and preparing this audit, and we are grateful for the opportunity to respond to its findings.

Dennis Buckley
Mayor
City of Beech Grove

EXECUTIVE SUMMARY

Some of the financial and legal troubles that plagued Beech Grove in recent years were well documented in the media, but I had long suspected that those stories only scratched the surface.

When I took office in January 2012, the evidence of prior mismanagement was both pervasive and obvious.

Entire boxes of files -- almost six dozen total -- were missing. Official meeting minutes and records were incomplete. There were taxpayer-backed loans in default and funds that clearly had been spent inappropriately. On behalf of Beech Grove residents, we needed to assess the damage, and we needed help.

In March 2012, I joined Dan McMillan, Clerk-Treasurer in a formal request to the State Board of Accounts for a special review of the city's record-keeping and financial history in recent years.

The findings in this audit confirm my longstanding suspicions.

At best, this review showcases the gross negligence of local officials who were elected and appointed to safeguard taxpayer resources but who fell far short of that mission. At worst, there is evidence of questionably ethical behavior amid clear violations of the public trust.

These were not typical mistakes made by overburdened public servants working on behalf of local residents. These were mistakes made recklessly, intentionally and without fear of recourse.

From the moment I, the Clerk-Treasurer Dan McMillan took office, we have taken expedient steps to correct the problems outlined in this review and make sure they are never repeated.

This audit should be a lesson to all who serve the State of Indiana and its communities: There are rules to be followed, and they must be followed in order that Hoosiers have faith in their government and believe that their hard-earned dollars are being well spent to serve them.

RESPONSES TO FINDINGS AND COMMENTS WITHIN THE AUDIT

1. General Financial Mismanagement.

We concur with all sections of the report that outline general financial mismanagement by the City prior to 2012, including the misallocation of funds among different accounts, the failure to properly record financial transactions, the payment of sales tax on certain items and inadequate reconciliations for city bank accounts.

We have taken steps, including additional oversight and appropriate financial methods, to prevent these problems from occurring in the future. All of our bonds are current, and the Clerk Treasurer has performed a top-to-bottom review to implement proper accounting procedures in every department.

2. Political Expenditures.

We concur that taxpayer funds were inappropriately spent on campaign materials in the 2007 election cycle, though we dispute the amount that former Mayor Joe Wright was required to pay back to the City. This dispute is outlined in the next section.

3. Repayment Of Misappropriated Funds By The Beech Grove Republican Candidates Committee.

We want to draw special attention to the fact that former Mayor Joe Wright did not, in fact, repay the \$2,487.50 deemed inappropriate in the audit. That check was issued by the Beech Grove Republican Candidates Committee, adding further evidence to the notion that Wright was using City Hall and taxpayer funds to further his political goals.

4. Unallowable Use Of Redevelopment Funds.

We concur that the City inappropriately used redevelopment funds to pay for a lobbying contract with a large Indianapolis law firm.

The City of Beech Grove does not currently retain a lobbyist, and any future retention would be properly funded and approved by the City Council.

5. Main Street Loan Program.

We concur that this loan program was improperly administered, and we have provided additional detail in the next section about the questionable loans and our actions to recover funds from loans in default.

We are particularly concerned about the \$10,000 loan that was made with no application or documentation. While the loan itself has been regularly paid by the

debtor, the lack of adequate process surrounding this loan and the overall program is astounding.

Our analysis of the Main Street Loan Program consumed the better part of six months, and we are still in the process of determining how and why these loans were made. While there are loans still being paid back under this program, the program itself has been stopped.

MATERIAL CONCERNS NOT ADDRESSED BY THE AUDIT

1. Records That Could Not Be Located.

At several points, the audit references documents and files that were not available for review. As we were examining the historical record, we discovered that there were 71 boxes of files missing from the city archives. It is not our place to speculate on their whereabouts, but neither the State Board of Accounts nor anyone in my administration has been able to locate them. Even the on site auditor could not find attendance records of certain employees.

2. Records Not Located For First Two Years Of The Redevelopment Commission.

In addition to records we know once existed but now cannot be located, we also want to note that records can not be found for the first two years that the Redevelopment Commission was in existence, during this time, over 5.8 million dollars was issued in bonds.

3. Additional Political Materials Funded By Taxpayer Dollars.

We dispute the categorization of certain campaign materials produced using taxpayer dollars as related to city activities, and we believe the City should be reimbursed for any questionable political expenditure.

Any objective viewer of these materials would know that they were designed for political, not official, purposes. In at least one clearly marked campaign video, Mr. Wright utilized his official office space in City Hall for filming, and several of the videos that have been deemed within the realm of official city activities are located on Mr. Wright's campaign video account. These videos are still widely available on the Internet.

We also want to draw attention to funding for the *Beech Grove Times* (APPROP #652900310.001, \$600 paid December 27, 2007), a newspaper-like publication filled with campaign material, which may have been paid for and mailed at taxpayer expense. If so, this was a particularly egregious example of public dollars spent for political gain. We believe that money should also be returned to the City, should this be the case.

4. Main Street Loan Repayments.

There is some discussion of the problems with the Main Street Loan Program in the audit. We want to be sure a more complete assessment is preserved in the official record. We question a response made by Mr. Wright to a very well respected local businessman stating "you can take a loan out and not have to pay it back".

When Mayor Buckley and Clerk-Treasurer Dan McMillan took office, several recipients of the Main Street Revolving Loan Program were in default. These included Rainy Day Investments, LLC, the Beech Grove Meat Market, K-9 Kollege and First Class Auto Glass.

With the exception of Rainy Day Investments, LLC, which the City knew to be in bankruptcy proceedings (and could not be contacted due to an automatic stay), demand letters were sent to each entity on two separate occasions to invite each entity to contact the City Attorney to discuss entering into a payment plan.

The demand letters were ignored. As a result, in October 2012 the City filed suit against the K-9 Kollege and First Class Auto Glass to collect on the defaulting loan. Those cases are being litigated to this date.

In August 2012, the City filed suit against former Beech Grove Mayor Terry Dilk because he co-signed a loan for Rainy Day Investments, LLC. Mr. Dilk was the only solvent party from which to seek collection. Mr. Dilk eventually sought counsel after the failure of informal settlement negotiations between him and the City Attorney. This case has been resolved and is subject to a confidentiality agreement.

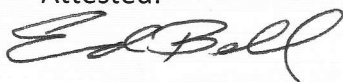
The Meat Market was the recipients of two \$40,000 loans. After paying just a fraction of each, the Meat Market fell into default. It was determined that the Meat Market could not pay a judgment and a lawsuit was not filed.

As noted in the audit, the previous administration allowed these entities to fall into default without taking any action to collect on debts owed to the City. It is our belief that the financial viability of some of these entities should have been more carefully scrutinized before loans were issued.

5. Inappropriate Payment For Redevelopment Project.

NDZA, Inc. associate David Kingen, who was retained by former Mayor Wright, received approximately \$15,000 for a project two years after work was performed, contrary to common accounting and payment practices. The project also was inappropriately paid from the General Fund; it should have been paid from Redevelopment Commission funds. Such individual while being retained by former Mayor Wright may have contacted businesses to offer the same service under a different pretext of defense.

Attested:



Ed Bell
City Council President
City of Beech Grove