

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

AUDIT REPORT
OF
SCHOOL TOWN OF SPEEDWAY
MARION COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
03/31/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nancy Johnson	07-01-05 to 06-30-08
Superintendent of Schools	N. Andrew Wagner Kenneth Hull	07-01-05 to 06-30-07 07-01-07 to 06-30-08
President of the School Board	William Scott Debra Gonzales Dr. Terry E. Reed	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



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

TO: THE OFFICIALS OF THE SCHOOL TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Town of Speedway (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 20, 2008, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

March 20, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE SCHOOL TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

We have audited the financial statements of the School Town of Speedway (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

STATE BOARD OF ACCOUNTS

March 20, 2008

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 5,734,022	\$ -	\$ 81,365		\$ (5,652,657)
Support services	7,775,818	458,548	329,522		(6,987,748)
Community services	156,713	-	-		(156,713)
Nonprogrammed charges	<u>278,947</u>	<u>-</u>	<u>-</u>		<u>(278,947)</u>
Total governmental activities	<u>\$ 13,945,500</u>	<u>\$ 458,548</u>	<u>\$ 410,887</u>		<u>(13,076,065)</u>
General receipts:					
Property taxes				8,053,942	
Other local sources				1,057,580	
State aid				3,653,496	
Grants and contributions not restricted to specific programs				505,134	
Sale of property, adjustments, and refunds				95,272	
Investment earnings				<u>176,279</u>	
Total general receipts				<u>13,541,703</u>	
Change in net assets					465,638
Net assets - beginning					<u>5,731,193</u>
Net assets - ending					<u>\$ 6,196,831</u>
<u>Assets</u>					
Cash and investments				\$ 4,035,549	
Restricted assets:					
Cash and investments				<u>2,161,282</u>	
Total assets				<u>\$ 6,196,831</u>	
<u>Net Assets</u>					
Restricted for:					
Other purposes				\$ 2,161,282	
Unrestricted				<u>4,035,549</u>	
Total net assets				<u>\$ 6,196,831</u>	

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 6,048,492	\$ -	\$ 75,776	\$ (5,972,716)
Support services	8,776,284	469,633	340,336	(7,966,315)
Community services	177,363	-	-	(177,363)
Nonprogrammed charges	210,062	-	-	(210,062)
Total governmental activities	\$ 15,212,201	\$ 469,633	\$ 416,112	(14,326,456)
General receipts:				
Property taxes				5,289,729
Other local sources				1,023,718
State aid				4,424,488
Grants and contributions not restricted to specific programs				490,411
Sale of property, adjustments, and refunds				81,450
Investment earnings				290,291
Total general receipts				11,600,087
Change in net assets				(2,726,369)
Net assets - beginning				6,196,831
Net assets - ending				\$ 3,470,462
<u>Assets</u>				
Cash and investments				\$ 1,271,055
Restricted assets:				
Cash and investments				2,199,407
Total assets				\$ 3,470,462
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,076
Other purposes				2,197,331
Unrestricted				1,271,055
Total net assets				\$ 3,470,462

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	School Technology	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 6,478,577	\$ 74,307	\$ -	\$ 2,679,847	\$ 513,112	\$ 9,745,843
Intermediate sources	-	-	-	-	506	506
State sources	3,719,178	-	128,495	-	117,750	3,965,423
Federal sources	-	-	-	-	604,094	604,094
Sale of property, adjustments and refunds	7,400	-	-	5,705	-	13,105
Total receipts	10,205,155	74,307	128,495	2,685,552	1,235,462	14,328,971
Disbursements:						
Current:						
Instruction	5,391,399	-	-	-	342,623	5,734,022
Support services	4,612,758	85,399	-	2,034,811	1,042,850	7,775,818
Community services	154,846	-	-	-	1,867	156,713
Nonprogrammed charges	234,216	-	-	-	-	234,216
Total disbursements	10,393,219	85,399	-	2,034,811	1,387,340	13,900,769
Excess (deficiency) of receipts over disbursements	(188,064)	(11,092)	128,495	650,741	(151,878)	428,202
Cash and investments - beginning	2,246,950	7,367	52,173	853,614	447,243	3,607,347
Cash and investments - ending	\$ 2,058,886	\$ (3,725)	\$ 180,668	\$ 1,504,355	\$ 295,365	4,035,549
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:						
An internal service fund is used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						2,161,282
Net assets of governmental activities						\$ 6,196,831
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,058,886	\$ (3,725)	\$ 180,668	\$ 1,504,355	\$ 295,365	\$ 4,035,549
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 2,058,886	\$ (3,725)	\$ 180,668	\$ 1,504,355	\$ 295,365	\$ 4,035,549

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	School Technology	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 4,643,905	\$ 45,682	\$ -	\$ 2,076	\$ 1,783,707	\$ 597,156	\$ 7,072,526
Intermediate sources	-	-	-	-	-	844	844
State sources	4,484,107	-	15,119	-	-	205,200	4,704,426
Federal sources	5,397	-	-	-	-	621,188	626,585
Sale of property, adjustments and refunds	11,713	-	-	-	-	-	11,713
Total receipts	9,145,122	45,682	15,119	2,076	1,783,707	1,424,388	12,416,094
Disbursements:							
Current:							
Instruction	5,629,219	-	-	-	-	419,273	6,048,492
Support services	4,540,449	77,732	-	-	3,194,212	963,891	8,776,284
Community services	173,738	-	-	-	-	3,625	177,363
Nonprogrammed charges	176,373	-	-	-	-	-	176,373
Total disbursements	10,519,779	77,732	-	-	3,194,212	1,386,789	15,178,512
Excess (deficiency) of receipts over disbursements	(1,374,657)	(32,050)	15,119	2,076	(1,410,505)	37,599	(2,762,418)
Other financing sources (uses):							
Transfers in	8,140	-	-	-	-	-	8,140
Transfers out	-	-	-	-	-	(8,140)	(8,140)
Total other financing sources (uses)	8,140	-	-	-	-	(8,140)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,366,517)	(32,050)	15,119	2,076	(1,410,505)	29,459	(2,762,418)
Cash and investments - beginning	2,058,886	(3,725)	180,668	-	1,504,355	295,365	4,035,549
Cash and investments - ending	\$ 692,369	\$ (35,775)	\$ 195,787	\$ 2,076	\$ 93,850	\$ 324,824	1,273,131
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because: An internal service fund is used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							<u>2,197,331</u>
Net assets of governmental activities							\$ 3,470,462
Cash and Investment Assets - Ending							
Cash and investments	\$ 692,369	\$ (35,775)	\$ 195,787	\$ -	\$ 93,850	\$ 324,824	\$ 1,271,055
Restricted assets:							
Cash and investments	-	-	-	2,076	-	-	2,076
Total cash and investment assets - ending	\$ 692,369	\$ (35,775)	\$ 195,787	\$ 2,076	\$ 93,850	\$ 324,824	\$ 1,273,131
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 2,076	\$ -	\$ -	\$ 2,076
Unrestricted	692,369	(35,775)	195,787	-	93,850	324,824	1,271,055
Total cash and investment fund balance - ending	\$ 692,369	\$ (35,775)	\$ 195,787	\$ 2,076	\$ 93,850	\$ 324,824	\$ 1,273,131

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ASSETS AND NET ASSETS AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN NET ASSETS - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 82,167
Operating disbursements:	
Insurance claims and expense	44,731
Change in net assets	37,436
Cash and investment net assets - beginning	2,123,846
Cash and investment net assets - ending	\$ 2,161,282
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 2,161,282
<u>Cash and Investment Net Assets - Ending</u>	
Restricted for:	
Other purposes	\$ 2,161,282

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ASSETS AND NET ASSETS AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN NET ASSETS - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 69,738
Operating disbursements:	
Insurance claims and expense	33,689
Change in net assets	36,049
Cash and investment net assets - beginning	2,161,282
Cash and investment net assets - ending	\$ 2,197,331
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 2,197,331
<u>Cash and Investment Net Assets - Ending</u>	
Restricted for:	
Other purposes	\$ 2,197,331

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ASSETS AND NET ASSETS AND ADDITIONS, DEDUCTIONS,
AND CHANGES IN NET ASSETS - CASH AND INVESTMENT BASIS
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Private-Purpose Trust Fund	Agency Funds
Additions:		
Contributions:		
Other	\$ 1,500	
Deductions:		
Administrative and general	\$ 3,000	
Change in net assets	(1,500)	
Cash and investment net assets - beginning	1,500	
Cash and investment net assets - ending	<u>\$ -</u>	
Assets:		
Cash and investments	<u>\$ -</u>	<u>\$ 15,560</u>
Net assets:		
Cash and investment basis held in trust	<u>\$ -</u>	

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

SCHOOL TOWN OF SPEEDWAY
STATEMENT OF ASSETS - CASH AND INVESTMENT BASIS
FIDUCIARY FUND
For the Year Ended June 30, 2007

	<u>Agency Funds</u>
Assets:	
Cash and investments	<u>\$ 12,135</u>

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

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

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

Primary Government: School Town of Speedway

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

Joint Ventures

The School Corporation is a participant with School City of Beech Grove, Carmel Clay Schools, Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Franklin Township Community School Corporation, Hamilton Southeastern School Corporation, Lebanon Community School Corporation, Metropolitan School District (MSD) of Decatur Township, MSD of Lawrence Township, MSD of Perry Township, MSD of Pike Township, MSD of Warren Township, MSD of Wayne Township, Indianapolis Public Schools, Zionsville Community School Corporation, and Westfield Washington School Corporation in a joint venture to operate the Central Indiana Educational Services Center (CIESC) which was created to provide certain programs and services for participating school corporations. The CIESC's continued existence depends on continued funding by participating school corporations. To participate in the CIESC, each school corporation is billed an amount based upon their student population. Complete financial statements for the CIESC can be obtained from their offices at 6321 Lapas Trail, Indianapolis, Indiana.

The School Corporation is a participant with Metropolitan School District (MSD) of Wayne Township, MSD of Pike Township, Brownsburg Community School Corporation, Avon Community School Corporation, Danville Community School Corporation, Plainfield Community School Corporation, Mooresville Consolidated School Corporation, Monroe-Gregg School District and Zionsville Community School Corporation in a joint venture to operate the West Central Joint Services (Co-op) which was created to provide instruction for handicapped children. The Co-op uses its surplus resources to undertake special projects for the school district. The Co-op's continued existence depends on the continued funding by the school districts. Complete financial statements for the Co-op can be obtained from Metropolitan School District of Wayne Township, 1220 South High School Road, Indianapolis, Indiana.

The School Corporation is a participant with Metropolitan School District (MSD) Wayne Township, Avon Community School Corporation, Brownsburg Community School Corporation, Danville Community School Corporation, MSD Decatur Township, Mill Creek Community School Corporation, North West Hendricks Schools, Monroe-Gregg School District, Mooresville Consolidated

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Schools, Plainfield Community School Corporation, and MSD Pike Township in a joint venture to operate the Area Vocational Education (Co-op) which was created to provide instruction in vocational education. The school corporations are obligated by contract to remit their share of the cost of the Co-op based on the number of their students in the Co-op. The Co-op uses its surplus resources to undertake special projects for the school corporations. The Co-op's continued existence depends on continued funding by the school corporations. Complete financial statements for the Co-op can be obtained from Metropolitan School District of Wayne Township, 1220 South High School Road, Indianapolis, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school technology fund accounts for financial resources for the purchasing of technology related items for the school corporation.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The internal service fund is a self-insurance fund established to provide medical benefits to retirees.

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individual schools of the corporation.

Agency funds account for assets held by the School Corporation as an agent for individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation has one internal service fund for self-insurance.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. However, a delay in the approved taxable property assessments resulted in May 2007 tax bills not being issued until November 2007. This caused a significant decrease in receipts from local sources/property taxes for the year 2006-2007.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 187 days for certified staff and 230 days for administrators and noncertified staff. Accumulated sick leave is paid to employees at a reduced rate depending on the number of years of service and employee classification through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Accumulated vacation leave is not paid to employees.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year. Accumulated personal leave is not paid to employees.

4. Capital Assets

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

5. Equity Classification

Government-Wide Statements

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

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
Transportation - Operating	\$ 3,725	\$ 35,775

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

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

SCHOOL TOWN OF SPEEDWAY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were as follows:

Transfer From	Transfer To	2007
Other governmental funds	General Fund	\$ 8,140

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Retirees

The School Corporation has chosen to establish a risk financing fund for risks associated with Medical Benefits to Retirees. The risk financing fund is accounted for in the Internal Service Fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Claim liabilities are not reasonably estimable.

B. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 5 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$21,910 were recognized for postemployment benefits.

These funds are held in reserve to pay health insurance premiums of qualified retirees for a limited time, in accordance with various governmental regulations.

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 84,587
Interest on net pension obligation	(8,709)
Adjustment to annual required contribution	9,925
Annual pension cost	85,803
Contributions made	68,416
Increase in net pension obligation	17,387
Net pension obligation, beginning of year	(120,124)
Net pension obligation, end of year	\$ (102,737)

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	5.13%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 49,459	135%	\$ (99,047)
	06-30-05	48,667	143%	(120,124)
	06-30-06	85,803	80%	(102,737)

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

SCHOOL TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$439,608, \$411,196, and \$205,299, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SCHOOL TOWN OF SPEEDWAY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,105,744	\$ 1,022,893	\$ 82,851	108%	\$ 1,175,369	7%
07-01-05	1,160,861	1,334,340	(173,479)	87%	1,409,403	(12%)
07-01-06	1,045,629	1,294,203	(248,574)	81%	1,301,305	(19%)

SCHOOL TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	School Safe Haven	Early Intervention Grant	Non-English Speaking Program
Receipts:							
Local sources	\$ 21,075	\$ 349,358	\$ 132,679	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	506	-	-	-
State sources	45,188	8,075	35,590	-	1,867	11,348	2,476
Federal sources	-	285,858	-	-	-	-	-
Total receipts	<u>66,263</u>	<u>643,291</u>	<u>168,269</u>	<u>506</u>	<u>1,867</u>	<u>11,348</u>	<u>2,476</u>
Disbursements:							
Current:							
Instruction	70,273	-	25,123	-	-	11,348	-
Support services	-	635,609	204,113	-	-	-	2,476
Community services	-	-	-	-	1,867	-	-
Total disbursements	<u>70,273</u>	<u>635,609</u>	<u>229,236</u>	<u>-</u>	<u>1,867</u>	<u>11,348</u>	<u>2,476</u>
Excess (deficiency) of receipts over disbursements	<u>(4,010)</u>	<u>7,682</u>	<u>(60,967)</u>	<u>506</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,010)	7,682	(60,967)	506	-	-	-
Cash and investments - beginning	<u>42,772</u>	<u>149,009</u>	<u>55,084</u>	<u>7,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 38,762</u>	<u>\$ 156,691</u>	<u>\$ (5,883)</u>	<u>\$ 7,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 38,762</u>	<u>\$ 156,691</u>	<u>\$ (5,883)</u>	<u>\$ 7,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 38,762</u>	<u>\$ 156,691</u>	<u>\$ (5,883)</u>	<u>\$ 7,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHOOL TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Lilly Endowment Grant	Gifted and Talented	AAE-Lumina Grant	Title V, Part A Innovative Programs	WCJS/ Special Education Grant	Title IV/Drug Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	13,206	-	-	-	-
Federal sources	-	-	-	6,336	204,964	6,409
Total receipts	<u>-</u>	<u>13,206</u>	<u>10,000</u>	<u>6,336</u>	<u>204,964</u>	<u>6,409</u>
Disbursements:						
Current:						
Instruction	-	13,206	2,512	-	153,318	-
Support services	100,454	-	-	6,336	52,660	6,409
Community services	-	-	-	-	-	-
Total disbursements	<u>100,454</u>	<u>13,206</u>	<u>2,512</u>	<u>6,336</u>	<u>205,978</u>	<u>6,409</u>
Excess (deficiency) of receipts over disbursements	<u>(100,454)</u>	<u>-</u>	<u>7,488</u>	<u>-</u>	<u>(1,014)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(100,454)	-	7,488	-	(1,014)	-
Cash and investments - beginning	<u>165,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,425</u>	<u>-</u>
Cash and investments - ending	<u>\$ 64,946</u>	<u>\$ -</u>	<u>\$ 7,488</u>	<u>\$ -</u>	<u>\$ 25,411</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 64,946</u>	<u>\$ -</u>	<u>\$ 7,488</u>	<u>\$ -</u>	<u>\$ 25,411</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 64,946</u>	<u>\$ -</u>	<u>\$ 7,488</u>	<u>\$ -</u>	<u>\$ 25,411</u>	<u>\$ -</u>

SCHOOL TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Team Nutrition Mini Grant	Title II Part A	Title II Part D	Title III - Limited English and Immigrant Grant	Refugee Children Impact Grant	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 513,112
Intermediate sources	-	-	-	-	-	506
State sources	-	-	-	-	-	117,750
Federal sources	-	50,734	5,635	29,158	15,000	604,094
Total receipts	-	50,734	5,635	29,158	15,000	1,235,462
Disbursements:						
Current:						
Instruction	1,109	50,734	-	-	15,000	342,623
Support services	-	-	5,635	29,158	-	1,042,850
Community services	-	-	-	-	-	1,867
Total disbursements	1,109	50,734	5,635	29,158	15,000	1,387,340
Excess (deficiency) of receipts over disbursements	(1,109)	-	-	-	-	(151,878)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,109)	-	-	-	-	(151,878)
Cash and investments - beginning	1,109	-	-	-	-	447,243
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,365
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,365
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,365

SCHOOL TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	School Safe Haven	Early Intervention Grant
Receipts:						
Local sources	\$ 10,911	\$ 359,756	\$ 136,489	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	844	-	-
State sources	56,385	7,430	32,003	-	3,625	89,600
Federal sources	-	300,903	-	-	-	-
Total receipts	<u>67,296</u>	<u>668,089</u>	<u>168,492</u>	<u>844</u>	<u>3,625</u>	<u>89,600</u>
Disbursements:						
Current:						
Instruction	80,511	-	20,654	-	-	89,600
Support services	-	699,387	91,794	-	-	-
Community services	-	-	-	-	3,625	-
Total disbursements	<u>80,511</u>	<u>699,387</u>	<u>112,448</u>	<u>-</u>	<u>3,625</u>	<u>89,600</u>
Excess (deficiency) of receipts over disbursements	<u>(13,215)</u>	<u>(31,298)</u>	<u>56,044</u>	<u>844</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers out	(8,140)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(21,355)</u>	<u>(31,298)</u>	<u>56,044</u>	<u>844</u>	<u>-</u>	<u>-</u>
Cash and investments - beginning	<u>38,762</u>	<u>156,691</u>	<u>(5,883)</u>	<u>7,950</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 17,407</u>	<u>\$ 125,393</u>	<u>\$ 50,161</u>	<u>\$ 8,794</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 17,407</u>	<u>\$ 125,393</u>	<u>\$ 50,161</u>	<u>\$ 8,794</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 17,407</u>	<u>\$ 125,393</u>	<u>\$ 50,161</u>	<u>\$ 8,794</u>	<u>\$ -</u>	<u>\$ -</u>

SCHOOL TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Non-English Speaking Program	Lilly Endowment Grant	Gifted and Talented	AAE-Lumina Grant	Health and Hospital Corp. Grant	Title V, Part A Innovative Programs
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 10,000	\$ 80,000	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	2,951	-	13,206	-	-	-
Federal sources	-	-	-	-	-	3,139
Total receipts	<u>2,951</u>	<u>-</u>	<u>13,206</u>	<u>10,000</u>	<u>80,000</u>	<u>3,139</u>
Disbursements:						
Current:						
Instruction	-	-	13,206	8,495	-	-
Support services	2,951	31,746	-	-	31,334	3,139
Community services	-	-	-	-	-	-
Total disbursements	<u>2,951</u>	<u>31,746</u>	<u>13,206</u>	<u>8,495</u>	<u>31,334</u>	<u>3,139</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(31,746)</u>	<u>-</u>	<u>1,505</u>	<u>48,666</u>	<u>-</u>
Other financing sources (uses):						
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(31,746)</u>	<u>-</u>	<u>1,505</u>	<u>48,666</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>64,946</u>	<u>-</u>	<u>7,488</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 33,200</u>	<u>\$ -</u>	<u>\$ 8,993</u>	<u>\$ 48,666</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 33,200</u>	<u>\$ -</u>	<u>\$ 8,993</u>	<u>\$ 48,666</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 33,200</u>	<u>\$ -</u>	<u>\$ 8,993</u>	<u>\$ 48,666</u>	<u>\$ -</u>

SCHOOL TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	WCJS/ Special Education Grant	Hurricane Relief Grant	Title II Part A	Title III - Limited English and Immigrant Grant	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 597,156
Intermediate sources	-	-	-	-	844
State sources	-	-	-	-	205,200
Federal sources	207,953	24,000	50,678	34,515	621,188
Total receipts	<u>207,953</u>	<u>24,000</u>	<u>50,678</u>	<u>34,515</u>	<u>1,424,388</u>
Disbursements:					
Current:					
Instruction	156,129	-	50,678	-	419,273
Support services	45,025	24,000	-	34,515	963,891
Community services	-	-	-	-	3,625
Total disbursements	<u>201,154</u>	<u>24,000</u>	<u>50,678</u>	<u>34,515</u>	<u>1,386,789</u>
Excess (deficiency) of receipts over disbursements	<u>6,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,599</u>
Other financing sources (uses): Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,140)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,799	-	-	-	29,459
Cash and investments - beginning	<u>25,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,365</u>
Cash and investments - ending	<u>\$ 32,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,824</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 32,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,824</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 32,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,824</u>

SCHOOL TOWN OF SPEEDWAY
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2007

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 53,808,383
Improvements other than buildings	1,785,817
Machinery and equipment	1,648,906
Construction in progress	<u>2,912,429</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 60,155,535</u>

SCHOOL TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The Transportation Operating Fund cash balance as of June 30, 2006, was overdrawn \$3,725. The Transportation Operating Fund cash balance as of June 30, 2007, was overdrawn \$35,775.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ECA DEPOSITS (Speedway Extra Curricular Account)

Receipts for textbook rentals were not always given to the Extra-Curricular (ECA) Treasurer to be deposited within a reasonable time. Receipts, in some instances, were held by the schools for periods in excess of 20 days before they were given to the ECA Treasurer for deposit. Over half of the receipts examined were not given to the ECA Treasurer until at least 10 days after they were received.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SCHOOL TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the School Town of Speedway (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

STATE BOARD OF ACCOUNTS

March 20, 2008

SCHOOL TOWN OF SPEEDWAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553			
		FY2005-06	\$ 62,513	\$ -
		FY2006-07	-	67,766
Total for program			62,513	67,766
National School Lunch Program	10.555			
		FY2005-06	248,553	-
		FY2006-07	-	285,618
Total for program			248,553	353,384
Total for cluster			311,066	353,384
Team Nutrition Grants	10.574			
		FY 2005-06	1,109	-
Total for federal grantor agency			312,175	353,384
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through West Central Joint Services, MSD Wayne Township Special Education Cluster (IDEA) Special Education - Grants to States	84.027			
		14206-063-PN01	205,979	-
		14206-063-PN01	-	201,154
Total for program			205,979	201,154
Total for cluster			205,979	201,154
Pass-Through Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants	84.186			
		05-216	6,409	-
Fund for the Improvement of Education	84.215			
		05-06	15,000	-
State Grants for Innovative Programs	84.298			
		05-019	6,336	-
		06-5400	-	3,139
Total for program			6,336	3,139
English Language Acquisition Grants	84.365			
		PL 107-110	29,158	-
		PL 107-110	-	34,515
Total for program			29,158	34,515
Improving Teacher Quality State Grants	84.367			
		S376A050013	56,369	-
		S367A060013	-	50,678
Total for program			56,369	50,678
Hurricane Education Recovery	84.938			
		SY 06-07	-	24,000
Total for federal grantor agency			319,251	313,486
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
		SY 06-07	-	5,397
Total federal awards expended			\$ 631,426	\$ 672,267

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

SCHOOL TOWN OF SPEEDWAY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
School Breakfast Program	10.553	\$ 5,066	\$ 10,064
National School Lunch Program	10.555	20,142	42,417

SCHOOL TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported

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

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

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SCHOOL TOWN OF SPEEDWAY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SCHOOL TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2008, with Nancy Johnson, Treasurer; Kenneth Hull, Superintendent of Schools; Dr. Terry E. Reed, President of the School Board.