

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

EXAMINATION REPORT
OF
TOWN OF SPEEDWAY
MARION COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
12/31/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountants Report	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Payroll Fund.....	9
Finance and Late Charges	9
Credit Cards.....	9-10
Errors on Claims	10
Deposits.....	11
Expenditures of Utility Funds.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon L. Zishka	01-01-08 to 12-31-11
President of the Town Council	Gary L. Raikes Eileen Fisher	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Water Utility Superintendent	Michael G. Littlejohn Stephen Hurst	01-01-08 to 04-01-08 04-02-08 to 12-31-09
Wastewater Utility Superintendent	Norman Berry	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANTS REPORT

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

We have examined the financial information presented herein of the Town of Speedway (Town), for the period of January 1, 2008 to December 31, 2008. The Town's management is responsible for the financial information presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 10, 2009

TOWN OF SPEEDWAY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 799,771	\$ 10,661,766	\$ 10,484,546	\$ 976,991
Motor Vehicle Highway	974,197	606,833	804,749	776,281
Local Road and Street	498,107	163,492	39,576	622,023
Park and Recreation	69,165	108,229	108,096	69,298
Law Enforcement Continuing Education	95,159	28,630	51,850	71,939
Riverboat	16,982	135,415	-	152,397
Rainy Day	362	900	324	938
Fire Training	4,920	-	1,746	3,174
Hazardous Materials	-	4,024	4,024	-
Criminal Investigation	202,606	61,924	39,200	225,330
Liberty Shield Buffer Zone	2,339	24,000	26,339	-
Stormwater Management	163,456	90,450	62,185	191,721
Redevelopment Commission	2,301,882	881,124	2,421,183	761,823
G.O. Bond Debt Service	291,721	2,174,129	1,920,674	545,176
G.O. Bond Interest	103,829	37,106	140,579	356
Other Parks Recreation Bond	-	10,501	-	10,501
Cumulative Capital Development	934,777	708,115	851,159	791,733
Recreation Non-Reverting Capital	53,193	4,000	-	57,193
G.O. Bond Construction	1,377,318	9,950	960,775	426,493
Other Redevelopment Authority	-	5,755,000	3,691,609	2,063,391
Park Recreation Bond	-	1,975,292	330,403	1,644,889
Proprietary Funds:				
Water Utility - Operating	278,335	1,630,442	1,746,424	162,353
Water Utility - Bond and Interest	302,412	281,640	281,210	302,842
Water Utility - Reserve	-	32,436	32,436	-
Water Utility - Depreciation	1,143,595	186,678	545,564	784,709
Water Utility - Redemption	443	-	-	443
Wastewater Utility - Operating	1,243,752	3,877,376	3,275,048	1,846,080
Wastewater Utility - Bond and Interest	297,648	860,520	859,862	298,306
Wastewater Utility - Reserve	863,755	119,976	119,976	863,755
Wastewater Utility - Depreciation	2,244,270	1,390,000	1,390,272	2,243,998
Wastewater Utility - Construction	311,169	1,838	244,821	68,186
Wastewater Utility - Plant Improvement	1,030,502	726,200	725,000	1,031,702
Wastewater Utility - Redemption	285	-	-	285
Environmental Liability Insurance	322,847	30,369	-	353,216
Fiduciary Funds:				
Police Officers' Pension	69,342	377,712	412,708	34,346
Firefighters' Pension	11,418	704,485	670,075	45,828
Payroll	3,734	1,849	1,819	3,764
Flexible Spending	15,492	54,743	52,675	17,560
Utility Escrow	93,624	5,751,165	5,808,525	36,264
Totals	\$ 16,122,407	\$ 39,468,309	\$ 38,105,432	\$ 17,485,284

The accompanying notes are an integral part of the financial information.

TOWN OF SPEEDWAY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, water, wastewater, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and 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 years 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).

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town 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.

TOWN OF SPEEDWAY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees Retirement Fund

Plan Description

The Town 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the members annuity savings account. The annuity savings account consists of members contributions, set by state statute at 3% of compensation, plus the interest credited to the members account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

On September 30, 2009, the Redevelopment Commission issued bonds in the amount of \$15,000,000.

TOWN OF SPEEDWAY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 AS OF DECEMBER 31, 2008

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Combination of General, MVH, & Parks	
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ -
Infrastructure	590,675
Buildings	4,066,393
Improvements other than buildings	1,002,495
Machinery and equipment	4,888,796
Construction in progress	<u>-</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>10,548,359</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 13,047
Infrastructure	4,252,461
Construction in progress	-
Buildings	790,820
Improvements other than buildings	2,645,303
Machinery and equipment	<u>972,094</u>
 Total Water Utility capital assets	 <u>8,673,725</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	-
Infrastructure	6,278,233
Construction in progress	-
Buildings	1,043,139
Improvements other than buildings	233,268
Machinery and equipment	<u>5,480,809</u>
 Total Wastewater Utility capital assets	 <u>13,035,449</u>
Total business-type activities capital assets	 \$ <u>21,709,174</u>

TOWN OF SPEEDWAY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Bonds payable		
General obligation bonds:		
Town Hall and Municipal Building Renovations, 2000 Issue	\$ 530,000	\$ 191,101
Police and Fire capital equipment, 2005A Issue		
Police, Fire, and Park capital equipment, 2005B Issue	1,025,000	161,179
Police and Fire capital equipment, 2006 Issue	755,000	517,897
Park District Bonds, 2008 Issue	<u>1,995,000</u>	<u>140,391</u>
Total governmental activities long-term debt	<u>\$ 4,305,000</u>	<u>\$ 1,010,568</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Plant Improvements, 2001 Issue	\$ 1,705,000	\$ 280,860
Total Water Utility	<u>1,705,000</u>	<u>280,860</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater Plant Improvements, 1996 Issue	675,000	370,440
SRF Funding for Utility Construction, 1999A Issue	4,584,502	215,752
SRF Funding for Utility Construction, 1999B Issue	393,944	43,764
SRF Funding for Utility Construction, 2000 Issue	1,043,957	115,975
Wastewater Plant Improvements, 2004	<u>1,290,000</u>	<u>111,031</u>
Total Wastewater Utility	<u>7,987,403</u>	<u>856,962</u>
Total business-type activities long-term debt	<u>\$ 9,692,403</u>	<u>\$ 1,137,822</u>

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS

PAYROLL FUND

Currently, the only payroll fund reflected in the Towns financial ledger is the Payroll II Fund which only accounts for the interest earned on the payroll checking/sweep bank account. The actual payroll activity is not accounted for in the Towns financial ledger or Annual Report and a book balance to bank balance reconciliation is not performed for the payroll bank account. As a result, there is approximately \$142,482.29 of unidentified cash at December 31, 2008, included in the payroll bank account that is not recorded in the Towns financial ledger. A similar comment appeared in prior Report B33349.

Subsequent to commencing our examination, the Clerk-Treasurer was able to reduce the unidentified amount in the payroll bank account to \$72.16 as of December 31, 2008.

In order to simplify the handling of withholdings from employees salaries and wages this department approves of the use of a "Payroll Fund" where the number of employees will justify it. When a Payroll Fund is not utilized then Payroll Deductions Funds are to be used. When Payroll Deductions Funds are used then each title is generally descriptive of both the source of receipts and the purpose of disbursements of the particular fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

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

FINANCE AND LATE CHARGES

The Town incurred and subsequently paid \$61.68 for delinquent payments on Redevelopment Commission credit card invoices.

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)

CREDIT CARDS

During 2008 the SRC Director used the Town's credit card to purchase items without submitting necessary documentation on 22 purchases that total \$487.68.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

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

Claims or invoices did not have evidence to support receipt of goods or services.

A similar comment appeared in Report B33349.

IC 5-11-10-1.6 states in part:

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

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

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

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Park receipts remitted from the Park Department to the Clerk-Treasurer were not remitted timely. Delays ranged from three days to eight days. The Clerk-Treasurer receipted and deposited the remittance by the next business day. A similar comment appeared in Report B33349.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

EXPENDITURES OF UTILITY FUNDS

As stated in prior Report B33349, beginning in 2006, all salaries of the Clerk-Treasurer's Office's were paid on a 50-50 ratio by the Water Utility and Wastewater Utility with none paid by the Town. Only one employee's work schedule approximates this ratio. The remaining salaries should be prorated based on the percentage of their duties spent for each entity.

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)

TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2009, with Sharon L. Zishka, Clerk-Treasurer.