

B37630

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, 2009 to December 31, 2009



FILED
10/06/2010

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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	Eileen Fisher William Suffel	01-01-09 to 12-31-09 01-01-10 to 12-31-10
Water Utility Superintendent	Stephen Hurst	01-01-09 to 12-31-10
Wastewater Utility Superintendent	Norman Berry	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S 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, 2009 to December 31, 2009. 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, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 8, 2010

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, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 976,991	\$ 13,726,173	\$ 13,364,017	\$ 1,339,147
Motor Vehicle Highway	776,281	807,803	747,132	836,952
Local Road and Street	622,023	178,035	573,830	226,228
Park and Recreation	69,298	298,975	148,112	220,161
Law Enforcement Continuing Education	71,939	30,422	25,168	77,193
Rainy Day (restated)	152,397	136,820	-	289,217
Fire Training (restated)	938	1,800	339	2,399
Donation	-	600	600	-
Criminal Investigation	225,330	26,971	23,088	229,213
Hazardous Materials (restated)	3,174	-	2,269	905
Environmental Liability Insurance	353,216	32,169	-	385,385
Stormwater Management	191,721	80,710	93,412	179,019
Redevelopment Authority	2,063,391	2,991,365	3,956,879	1,097,877
Redevelopment Authority Capital	761,823	3,013,948	1,292,132	2,483,639
Redevelopment Authority with Trust	-	14,811,947	9,159,025	5,652,922
G.O. Bond Debt Service	545,176	1,259,044	1,164,948	639,272
G.O. Bond and Interest	356	1,295	1,651	-
G.O. Bond Construction	426,493	429,693	465,768	390,418
G.O. Bond 2009	-	743,625	-	743,625
Parks and Recreation Bond	1,644,889	-	931,505	713,384
Parks and Recreation Debt Service	-	110,232	-	110,232
Parks and Recreation Bond and Interest	10,501	59,204	55,407	14,298
Recreation Non-Reverting Capital	57,193	4,000	-	61,193
Police Grant II	-	76,112	76,112	-
SRF Construction Fund	-	6,835,000	548,203	6,286,797
Cumulative Capital Development	791,733	562,859	375,021	979,571
Police Department Canine	3,802	14,482	40	18,244
Police Department Motorcycle	30,154	20,650	16,351	34,453
Police Department Dare Program	9,346	-	270	9,076
Police Department Extra-Curricular	23,953	6,500	15,709	14,744
Proprietary Funds:				
Water Utility - Operating	162,353	1,652,936	1,734,149	81,140
Water Utility - Bond and Interest	302,842	282,840	282,085	303,597
Water Utility - Depreciation	784,709	461,234	207,425	1,038,518
Water Utility - Redemption	443	-	443	-
Water Utility - Pilot Cash Reserve	-	32,436	32,436	-
Wastewater Utility - Operating	1,846,080	2,825,076	3,217,317	1,453,839
Wastewater Utility - Bond and Interest	298,306	825,959	954,640	169,625
Wastewater Utility - Debt Service Reserve	863,755	-	863,755	-
Wastewater Utility - Depreciation	2,243,998	1,421,000	1,284,986	2,380,012
Wastewater Utility - Redemption	285	-	285	-
Wastewater Utility - Construction	68,186	1,187	46,843	22,530
Wastewater Utility - Improvement	1,031,702	631,092	628,692	1,034,102
Wastewater Utility - Bond and Interest Bank of NY	-	159,765	-	159,765
Wastewater Utility - Debt Service Reserve Bank of NY	-	869,892	-	869,892
Wastewater Utility - Pilot Cash Reserve	-	119,976	119,976	-
Fiduciary Funds:				
Police Officers' Pension	34,346	677,773	506,281	205,838
Firefighters' Pension	45,828	1,112,237	723,521	434,544
Flexible Spending	17,560	46,826	46,547	17,839
Utility Escrow	36,264	5,209,813	5,219,731	26,346
Payroll (restated)	4,148	435	147	4,436
Totals	<u>\$ 17,552,923</u>	<u>\$ 62,590,911</u>	<u>\$ 48,906,247</u>	<u>\$ 31,237,587</u>

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 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 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 Town on or prior to December 31 of the year collected.

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 member's 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 member's account. The employer may elect to make the contributions on behalf of the member.

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

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

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. Restatements and Reclassifications

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. Prior period adjustments represent corrections to the prior year ending balances due to an error in reporting. The following schedule presents a summary of restated beginning balances by fund.

TOWN OF SPEEDWAY
NOTES TO FINANCIAL INFORMATION
(Continued)

Fund	Balance as Reported December 31, 2008	Prior Period Adjustment	New Funds	Balance as Restated January 1, 2009
Riverboat	\$ 152,397	\$ (152,397)	\$ -	\$ -
Rainy Day	938	151,459	-	152,397
Fire Training	3,174	(2,236)	-	938
Hazardous Materials	-	3,174	-	3,174
Payroll	3,764	384	-	4,148
Police Department Canine	-	-	3,802	3,802
Police Department Motorcycle	-	-	30,154	30,154
Police Department Dare Program	-	-	9,346	9,346
Police Department Extra-Curricular	-	-	23,953	23,953

Note 8. Subsequent Events

During 2010, the Speedway Redevelopment Commission purchased three real estate properties for \$2,425,116 to be used for future redevelopment projects.

TOWN OF SPEEDWAY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
Town Hall and Municipal Building Renovations, 2000 Issue	\$ 360,000	\$ 187,993
Police, Fire, and Park capital equipment, 2005 Issue	905,000	161,625
Police and Fire capital equipment, 2006 Issue	260,000	264,706
Park capital equipment, 2008 Issue	1,955,000	173,526
Fire Department capital equipment, 2009 Issue	750,000	189,329
Revenue bonds:		
Redevelopment Authority 2009, Series A-1	13,505,000	-
Redevelopment Authority 2009, Series A-2	<u>1,450,000</u>	<u>-</u>
Total governmental activities debt	<u>\$ 19,185,000</u>	<u>\$ 977,179</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Plant Improvements, 2001 Issue	<u>\$ 1,490,000</u>	<u>\$ 282,860</u>
Wastewater Utility:		
Notes and Loans Payable	548,203	3,601
Revenue bonds:		
Wastewater Plant Improvements, 1996 Issue	340,000	358,020
SRF Funding for Utility Construction, 1999A Issue	4,529,208	228,171
SRF Funding for Utility Construction, 1999B Issue	363,968	43,764
SRF Funding for Utility Construction, 2000 Issue	964,520	115,975
Wastewater Plant Improvements, 2004 Issue	<u>1,235,000</u>	<u>113,831</u>
Total Wastewater Utility	<u>7,980,899</u>	<u>863,362</u>
Total business-type activities debt	<u>\$ 9,470,899</u>	<u>\$ 1,146,222</u>

TOWN OF SPEEDWAY
OTHER REPORT

The examination report presented herein was prepared in addition to the official report prepared for the Town office listed below:

Town of Speedway Redevelopment Commission - Special

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS

DEPOSITS (Park Department)

Park receipts remitted from the Park Department to the Clerk-Treasurer were not remitted timely. One instance was identified where the money was held for 10 days before remittance to the Clerk-Treasurer. The Clerk-Treasurer receipted and deposited the remittance by the next business day. Upon receiving the park receipt books for testing, we identified several checks in the receipt book which had not been deposited. The checks were dated from October 27, 2009 to January 30, 2010. This money was remitted to the Clerk-Treasurer and deposited on February 16, 2010.

A similar comment appeared in Report B35461.

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."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities of several police department accounts were insufficient. The Speedway Police Department has maintained four bank accounts outside of the Town's records for more than ten years. The receipt and disbursement activities for these accounts have not been included in the Town's ledger nor have the accounts been reconciled.

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)

PAYROLL FUND

Currently, the only payroll fund reflected in the Town's 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 Town's financial ledger or Annual Report and a reconciliation is not performed for the payroll bank account. As a result, there is approximately \$8,739.95 of unidentified cash at December 31, 2009, included in the payroll bank account that is not recorded in the Town's financial ledger. A similar comment appeared in the prior Report B35461.

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: "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."

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS - ANNUAL REPORT

Several deficiencies were found in the Town's 2009 Annual Report. Two ending fund balances were inaccurate, four funds were not included in the annual report, and some investment activity was not included. The Town's Annual Report did not agree to their all-inclusive bank reconciliation at December 31, 2009.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder in 2009 nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXPENDITURES OF UTILITY FUNDS

As stated in prior reports, most recently B35461, beginning in 2006, all salaries of the Clerk-Treasurer's Office as well as the Town Manager's position 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 September 8, 2010, with Sharon L. Zishka, Clerk-Treasurer; Scott Harris, Redevelopment Commission Executive Director; and James M. Gutting, Town Attorney. The official response has been made a part of this report and may be found on pages 14 and 15.

CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE

SPEEDWAY, INDIANA 46224-6499

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TOWN COUNCIL
EILEEN FISHER
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TOWN CLERK-TREASURER
SHARON L. ZISHKA

TOWN MANAGER
BARBARA A. LAWRENCE

September 22, 2010

Mr. Bruce Hartman
State Board of Accounts
Room E418
302 West Washington
Indianapolis, IN 46204

Re: Audit Response to Town of Speedway Audit

Dear Mr. Hartman:

This letter constitutes the audit response to the audit report of the Town of Speedway, Indiana and the exit conference conducted September 8, 2010. The following is the Town's response to the particular audit filing:

1. Deposits (Park Department)

The audit findings will be presented to the Parks and Recreation Board to achieve compliance. All deposits received by the Clerk-Treasurer were deposited in a timely manner.

2. Internal Controls

We are reviewing internal controls in the Clerk-Treasurer's office in light of new computer systems and personnel. All bank accounts previously held by the police department are now deposited with the Clerk-Treasurer and will be accounted for, reconciled and secured as all other funds under the responsibility of the Clerk-Treasurer.

3. Payroll Fund

The payroll fund has been changed within the revised accounting system and is expected to be reconciled and maintained on a monthly basis.

4. Condition of Records – Annual Report

All errors have been corrected including fund balances. The four omitted funds were the Police Department funds included in Item 2. Those four funds were not included in the Annual Report since they were not deposited with or controlled by the Clerk-Treasurer.

5. Delinquent Wastewater Accounts

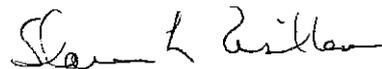
Individuals responsible for the recording of liens failed to record them and erroneously reported that the process had been completed. We have routinely carried out lien recordings prior to the audit and will resume those filings this year.

6. Expenditures of Utility Funds

The Town Council has reviewed and approved the allocation of expenditures between the civil town and utilities in each annual budget cycle. A current accounting review of these expenditures and their allocations will be made and adjustments made in the current budget cycle.

A cursory review indicates that certain expenditures currently paid by the civil town on behalf of the utilities should also be adjusted and reallocated. It is our position that the resulting reallocation would have a minimal effect in the aggregate total of expenditures from either the civil town accounts or the utilities.

Respectfully submitted,



Sharon L. Zishka, Clerk-Treasurer