

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF SPEEDWAY
MARION COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
01/31/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon L. Zishka Monty W. Combs	01-01-12 to 10-31-13 11-01-13 to 12-31-13
President of the Town Council	William C. Suffel II Eileen Fisher	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Superintendent of Water Utility	Stephen Hurst	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Norman Berry	01-01-12 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Speedway (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. Except as stated in the "*Basis for Qualified Opinion*" paragraph, 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2012.

Basis for Qualified Opinion

The Town did not account for certain funds adequately within their accounting records in order for us to express an opinion on those funds. Due to the condition of records of the Payroll Fund, we were unable to verify the accuracy of the financial activity presented for that fund. Additionally, due to the change in procedures and methods in the accounting for the Redevelopment Commission, we were not able to perform procedures to adequately test the financial transactions of the Redevelopment Commission's fund. A portion of the Redevelopment Commission activity is not reported on the financial statement presented; however, due to the method of accounting and condition of records for this department of the Town, we were not able to recommend an audit adjustment to the financial statement.

Qualified Opinion

In our opinion, except for the effects on the financial statement, if any, of not accounting for certain funds discussed in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2012, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

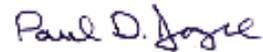
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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*

INDEPENDENT AUDITOR'S REPORT
(Continued)

Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

November 25, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, the financial statement of the Town of Speedway (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated November 25, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. The opinion to the financial statement relative to the regulatory basis of accounting was qualified because the Town did not account for certain funds adequately within their accounting records in order for us to express an opinion on those funds. Due to the condition of records of the Payroll Fund, we were unable to verify the accuracy of the financial activity presented for that fund. Additionally, due to the change in procedures and methods in the accounting for the Redevelopment Commission, we were not able to perform procedures to adequately test the financial transactions of the Redevelopment Commission's funds. A portion of the Redevelopment Commission activity is not reported on the financial statement presented; however, due to the method of accounting and condition of records for this department of the Town, we were not able to recommend an audit adjustment to the financial statement.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2, 2012-3, 2012-4, and 2012-5 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

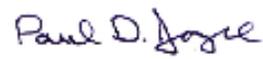
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1, 2012-2, and 2012-3.

Town of Speedway's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 25, 2013

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FINANCIAL STATEMENT

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

TOWN OF SPEEDWAY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL FUND	\$ 3,684,160	\$ 8,168,028	\$ 8,050,552	\$ 3,801,636
MOTOR VEHICLE HIGHWAY	451,618	542,370	625,576	368,412
LOCAL ROAD & STREET	164,481	299,891	74,185	390,187
REC NONREVERTING	62,380	-	-	62,380
LAW ENF CONT EDUCATION	55,326	32,333	52,399	35,260
PARKS & RECREATION	151,614	60,077	186,280	25,411
RAINY DAY	741,332	-	-	741,332
LEVY EXCESS FUND	17,031	-	-	17,031
CUM CAP DEVELOPMENT	951,452	187,790	356,745	782,497
POLICE PENSION	244,276	328,543	364,258	208,561
FIRE PENSION	454,164	483,068	530,530	406,702
FLEXIBLE SPENDING	24,562	129	2,302	22,389
FIRE TRAINING FUND	280	-	435	(155)
PUB SAFETY COIT	-	933,355	545,461	387,894
DONATION	489	-	1,210	(721)
POLICE GRANT	-	135,286	135,169	117
CRIMINAL INVEST CHECKING	7,283	47,621	46,887	8,017
CRIMINAL INVEST SAVINGS	192,145	332	27,063	165,414
CRIMINAL INVEST FEDERAL	28,110	2,335	1,636	28,809
EXTRA CURRICULAR	14,350	29,955	26,490	17,815
MOTORCYCLE	64,100	46,801	69,037	41,864
DARE	8,266	320	374	8,212
CANINE	17,027	11	318	16,720
CITIZENS ACADEMY FUND	38	200	-	238
HAZARDOUS MATERIALS	511	-	-	511
2011 G.O. BOND	802,366	122,000	622,281	302,085
2006 G.O. BOND	154	-	600	(446)
2009 G.O. BOND	63,560	-	22,607	40,953
G.O. DEBT SERVICE	178,090	299,589	352,736	124,943
REDEVELOPMENT FUND	2,932,343	1,727,864	4,660,207	-
2009 SRA TRUST/AGENT ACCT	1,348,697	1,143,104	1,043,729	1,448,072
2010 SRA TRUST/AGENT ACCT	7,034,079	419,554	4,017,900	3,435,733
SRC/OPERATING	281,607	27,113	308,720	-
ECONOMIC DEVELOPMENT COMM	3,490	27	-	3,517
EDC DEBT SERVICE	-	171,325	171,325	-
EDC DSR	342,650	-	342,650	-
PARK BOND CASH	4	-	-	4
PARK BOND DEBT SERVICE	153,439	77,871	180,173	51,137
ENVIR LIAB INS FUND	-	-	-	-
UTILITY ESCROW	236,683	8,669,545	8,558,180	348,048
FRANKLIN TWP SMALL CLAIMS	-	751	-	751
PAYROLL FUND	560,981	8,405,098	8,330,618	635,460
STORMWATER MANAGEMENT	276,422	70,173	48,064	298,531
SEWER OPERATING	954,197	6,308,334	6,164,549	1,097,982
SEWER DEPRECIATION	1,185,255	4,951,320	5,338,094	798,481
SEWER BOND & INTEREST	322,262	1,860,624	1,877,955	304,931
SEWER CONSTRUCTION	22,530	-	-	22,530
SEWER PILOT CASH RESERVE	-	275,460	-	275,460
SEWER PLANT IMPROVEMENT	620,177	188,517	24,925	783,769
SEWER DEBT SERV RESERVE	6,137	200,214	200,214	6,137
ENVIR LIAB INS FUND	413,321	-	-	413,321
SRF-SW BONY B&I	690,852	1,747,239	1,532,097	905,994
SRF-SW BONY DSR	1,091,022	200,214	-	1,291,236
SRF-SW BONY-CONST BOND	8,248,519	-	6,626,112	1,622,407
SW TRASH FEES	42,066	241,333	259,806	23,593
SW RECYCLING FEES	5,452	71,491	79,755	(2,812)
SEWER BAN TO BOND	-	2,117,775	2,100,000	17,775
WATER UTILITY OPERATING	346,705	2,989,131	2,577,837	757,999
WATER DEPRECIATION	473,850	115,442	577,321	11,971
WATER BOND & INTEREST	1,724	288,583	56,247	234,060
WATER PILOT CASH RESERVE	-	99,384	-	99,384
WATER DEBT SERV RESERVE	-	4,373	4,373	-
SRF-WW BONY B&I	-	31,641	10,489	21,152
SRF-WW BONY DSR	298,839	6,205	-	305,044
SRF-WW BONY CONST	310,933	5,300,000	248,392	5,362,541
Totals	<u>\$ 36,583,401</u>	<u>\$ 59,429,739</u>	<u>\$ 67,434,863</u>	<u>\$ 28,578,276</u>

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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

E. Disbursements

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

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

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

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

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the 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.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Combined Funds

Funds related to payroll were reported individually in the prior financial statement but were combined into one fund for the current financial statement.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	REC NONREVERTING	LAW ENF CONT EDUCATION	PARKS & RECREATION
Cash and investments - beginning	\$ 3,684,160	\$ 451,618	\$ 164,481	\$ 62,380	\$ 55,326	\$ 151,614
Receipts:						
Taxes	4,398,225	-	-	-	-	-
Licenses and permits	242,970	-	-	-	4,900	-
Intergovernmental	2,596,407	340,631	146,891	-	-	-
Charges for services	203,431	-	-	-	1,580	39,608
Fines and forfeits	73,568	-	-	-	4,314	-
Utility fees	-	-	-	-	-	-
Other receipts	653,427	201,739	153,000	-	21,539	20,469
Total receipts	<u>8,168,028</u>	<u>542,370</u>	<u>299,891</u>	<u>-</u>	<u>32,333</u>	<u>60,077</u>
Disbursements:						
Personal services	6,993,629	399,088	-	-	-	98,951
Supplies	251,745	74,445	-	-	25,870	24,270
Other services and charges	263,882	143,134	74,185	-	26,529	33,774
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	64,771	-	-	-	-	3,236
Utility operating expenses	-	-	-	-	-	-
Other disbursements	476,525	8,909	-	-	-	26,049
Total disbursements	<u>8,050,552</u>	<u>625,576</u>	<u>74,185</u>	<u>-</u>	<u>52,399</u>	<u>186,280</u>
Excess (deficiency) of receipts over disbursements	<u>117,476</u>	<u>(83,206)</u>	<u>225,706</u>	<u>-</u>	<u>(20,066)</u>	<u>(126,203)</u>
Cash and investments - ending	<u>\$ 3,801,636</u>	<u>\$ 368,412</u>	<u>\$ 390,187</u>	<u>\$ 62,380</u>	<u>\$ 35,260</u>	<u>\$ 25,411</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	RAINY DAY	LEVY EXCESS FUND	CUM CAP DEVELOPMENT	POLICE PENSION	FIRE PENSION	FLEXIBLE SPENDING
Cash and investments - beginning	\$ 741,332	\$ 17,031	\$ 951,452	\$ 244,276	\$ 454,164	\$ 24,562
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	187,790	328,543	483,068	129
Total receipts	-	-	187,790	328,543	483,068	129
Disbursements:						
Personal services	-	-	-	-	-	2,302
Supplies	-	-	-	-	-	-
Other services and charges	-	-	152,721	364,258	530,530	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	172,596	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	31,428	-	-	-
Total disbursements	-	-	356,745	364,258	530,530	2,302
Excess (deficiency) of receipts over disbursements	-	-	(168,955)	(35,715)	(47,462)	(2,173)
Cash and investments - ending	<u>\$ 741,332</u>	<u>\$ 17,031</u>	<u>\$ 782,497</u>	<u>\$ 208,561</u>	<u>\$ 406,702</u>	<u>\$ 22,389</u>

COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

	FIRE TRAINING FUND	PUB SAFETY COIT	DONATION	POLICE GRANT	CRIMINAL INVEST CHECKING	CRIMINAL INVEST SAVINGS
Cash and investments - beginning	\$ 280	\$ -	\$ 489	\$ -	\$ 7,283	\$ 192,145
Receipts:						
Taxes	-	933,355	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	135,286	47,621	332
Total receipts	<u>-</u>	<u>933,355</u>	<u>-</u>	<u>135,286</u>	<u>47,621</u>	<u>332</u>
Disbursements:						
Personal services	-	545,461	-	-	-	-
Supplies	-	-	332	135,169	-	-
Other services and charges	435	-	878	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	46,887	27,063
Total disbursements	<u>435</u>	<u>545,461</u>	<u>1,210</u>	<u>135,169</u>	<u>46,887</u>	<u>27,063</u>
Excess (deficiency) of receipts over disbursements	<u>(435)</u>	<u>387,894</u>	<u>(1,210)</u>	<u>117</u>	<u>734</u>	<u>(26,731)</u>
Cash and investments - ending	<u>\$ (155)</u>	<u>\$ 387,894</u>	<u>\$ (721)</u>	<u>\$ 117</u>	<u>\$ 8,017</u>	<u>\$ 165,414</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	CRIMINAL INVEST FEDERAL	EXTRA CURRICULAR	MOTORCYCLE	DARE	CANINE	CITIZENS ACADEMY FUND
Cash and investments - beginning	\$ 28,110	\$ 14,350	\$ 64,100	\$ 8,266	\$ 17,027	\$ 38
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,335	29,955	46,801	320	11	200
Total receipts	<u>2,335</u>	<u>29,955</u>	<u>46,801</u>	<u>320</u>	<u>11</u>	<u>200</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	6,767	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,636	19,723	69,037	374	318	-
Total disbursements	<u>1,636</u>	<u>26,490</u>	<u>69,037</u>	<u>374</u>	<u>318</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>699</u>	<u>3,465</u>	<u>(22,236)</u>	<u>(54)</u>	<u>(307)</u>	<u>200</u>
Cash and investments - ending	<u>\$ 28,809</u>	<u>\$ 17,815</u>	<u>\$ 41,864</u>	<u>\$ 8,212</u>	<u>\$ 16,720</u>	<u>\$ 238</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	HAZARDOUS MATERIALS	2011 G.O. BOND	2006 G.O. BOND	2009 G.O. BOND	G.O. DEBT SERVICE	REDEVELOPMENT FUND
Cash and investments - beginning	\$ 511	\$ 802,366	\$ 154	\$ 63,560	\$ 178,090	\$ 2,932,343
Receipts:						
Taxes	-	-	-	-	278,601	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	20,988	-
Charges for services	-	-	-	-	-	500
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	122,000	-	-	-	1,727,364
Total receipts	-	122,000	-	-	299,589	1,727,864
Disbursements:						
Personal services	-	-	-	-	-	72,651
Supplies	-	-	-	-	-	8,335
Other services and charges	-	41,575	-	-	-	474,057
Debt service - principal and interest	-	-	-	-	352,736	619,016
Capital outlay	-	580,706	600	22,607	-	1,502,433
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1,983,715
Total disbursements	-	622,281	600	22,607	352,736	4,660,207
Excess (deficiency) of receipts over disbursements	-	(500,281)	(600)	(22,607)	(53,147)	(2,932,343)
Cash and investments - ending	\$ 511	\$ 302,085	\$ (446)	\$ 40,953	\$ 124,943	\$ -

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	2009 SRA TRUST/AGENT ACCT	2010 SRA TRUST/AGENT ACCT	SRC/OPERATING	ECONOMIC DEVELOPMENT COMM	EDC DEBT SERVICE	EDC DSR
Cash and investments - beginning	\$ 1,348,697	\$ 7,034,079	\$ 281,607	\$ 3,490	\$ -	\$ 342,650
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	27,113	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,143,104	419,554	-	27	171,325	-
Total receipts	<u>1,143,104</u>	<u>419,554</u>	<u>27,113</u>	<u>27</u>	<u>171,325</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	338,140	2,847,317	-	-	171,325	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	705,589	1,170,583	308,720	-	-	342,650
Total disbursements	<u>1,043,729</u>	<u>4,017,900</u>	<u>308,720</u>	<u>-</u>	<u>171,325</u>	<u>342,650</u>
Excess (deficiency) of receipts over disbursements	<u>99,375</u>	<u>(3,598,346)</u>	<u>(281,607)</u>	<u>27</u>	<u>-</u>	<u>(342,650)</u>
Cash and investments - ending	<u>\$ 1,448,072</u>	<u>\$ 3,435,733</u>	<u>\$ -</u>	<u>\$ 3,517</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	PARK BOND CASH	PARK BOND DEBT SERVICE	ENVIR LIAB INS FUND	UTILITY ESCROW	FRANKLIN TWP SMALL CLAIMS	PAYROLL FUND
Cash and investments - beginning	\$ 4	\$ 153,439	\$ -	\$ 236,683	\$ -	\$ 560,981
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	8,640,657	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	77,871	-	28,888	751	8,405,098
Total receipts	-	77,871	-	8,669,545	751	8,405,098
Disbursements:						
Personal services	-	-	-	-	-	8,330,618
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	180,173	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	8,558,180	-	-
Total disbursements	-	180,173	-	8,558,180	-	8,330,618
Excess (deficiency) of receipts over disbursements	-	(102,302)	-	111,365	751	74,479
Cash and investments - ending	\$ 4	\$ 51,137	\$ -	\$ 348,048	\$ 751	\$ 635,460

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	STORMWATER MANAGEMENT	SEWER OPERATING	SEWER DEPRECIATION	SEWER BOND & INTEREST	SEWER CONSTRUCTION	SEWER PILOT CASH RESERVE
Cash and investments - beginning	\$ 276,422	\$ 954,197	\$ 1,185,255	\$ 322,262	\$ 22,530	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	200	5,649,395	10,338	-	-	-
Other receipts	69,973	658,939	4,940,982	1,860,624	-	275,460
Total receipts	70,173	6,308,334	4,951,320	1,860,624	-	275,460
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	21,678	3,334	5,335,094	-	-	-
Utility operating expenses	26,386	3,461,794	-	-	-	-
Other disbursements	-	2,699,421	3,000	1,877,955	-	-
Total disbursements	48,064	6,164,549	5,338,094	1,877,955	-	-
Excess (deficiency) of receipts over disbursements	22,109	143,785	(386,774)	(17,331)	-	275,460
Cash and investments - ending	\$ 298,531	\$ 1,097,982	\$ 798,481	\$ 304,931	\$ 22,530	\$ 275,460

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	SEWER PLANT IMPROVEMENT	SEWER DEBT SERV RESERVE	ENVIR LIAB INS FUND	SRF-SW BONY B&I	SRF-SW BONY DSR	SRF-SW BONY-CONST BOND
Cash and investments - beginning	\$ 620,177	\$ 6,137	\$ 413,321	\$ 690,852	\$ 1,091,022	\$ 8,248,519
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	188,517	200,214	-	1,747,239	200,214	-
Total receipts	188,517	200,214	-	1,747,239	200,214	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	24,925	-	-	-	-	4,532,726
Utility operating expenses	-	-	-	240,815	-	-
Other disbursements	-	200,214	-	1,291,282	-	2,093,386
Total disbursements	24,925	200,214	-	1,532,097	-	6,626,112
Excess (deficiency) of receipts over disbursements	163,592	-	-	215,142	200,214	(6,626,112)
Cash and investments - ending	\$ 783,769	\$ 6,137	\$ 413,321	\$ 905,994	\$ 1,291,236	\$ 1,622,407

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	SW TRASH FEES	SW RECYCLING FEES	SEWER BAN TO BOND	WATER UTILITY OPERATING	WATER DEPRECIATION	WATER BOND & INTEREST
Cash and investments - beginning	\$ 42,066	\$ 5,452	\$ -	\$ 346,705	\$ 473,850	\$ 1,724
Receipts:						
Taxes	-	-	-	159,634	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	241,333	71,491	-	2,800,182	-	-
Other receipts	-	-	2,117,775	29,315	115,442	288,583
Total receipts	<u>241,333</u>	<u>71,491</u>	<u>2,117,775</u>	<u>2,989,131</u>	<u>115,442</u>	<u>288,583</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	577,321	-
Utility operating expenses	-	-	-	1,857,542	-	-
Other disbursements	259,806	79,755	2,100,000	720,295	-	56,247
Total disbursements	<u>259,806</u>	<u>79,755</u>	<u>2,100,000</u>	<u>2,577,837</u>	<u>577,321</u>	<u>56,247</u>
Excess (deficiency) of receipts over disbursements	<u>(18,473)</u>	<u>(8,264)</u>	<u>17,775</u>	<u>411,294</u>	<u>(461,879)</u>	<u>232,336</u>
Cash and investments - ending	<u>\$ 23,593</u>	<u>\$ (2,812)</u>	<u>\$ 17,775</u>	<u>\$ 757,999</u>	<u>\$ 11,971</u>	<u>\$ 234,060</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	WATER PILOT CASH RESERVE	WATER DEBT SERV RESERVE	SRF-WW BONY B&I	SRF-WW BONY DSR	SRF-WW BONY CONST	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 298,839	\$ 310,933	\$ 36,583,401
Receipts:						
Taxes	-	-	-	-	-	5,769,815
Licenses and permits	-	-	-	-	-	247,870
Intergovernmental	-	-	-	-	-	3,104,917
Charges for services	-	-	-	-	-	8,912,889
Fines and forfeits	-	-	-	-	-	77,882
Utility fees	-	-	-	-	-	8,772,939
Other receipts	99,384	4,373	31,641	6,205	5,300,000	32,543,427
Total receipts	<u>99,384</u>	<u>4,373</u>	<u>31,641</u>	<u>6,205</u>	<u>5,300,000</u>	<u>59,429,739</u>
Disbursements:						
Personal services	-	-	-	-	-	16,442,700
Supplies	-	-	-	-	-	526,933
Other services and charges	-	-	-	-	-	2,105,958
Debt service - principal and interest	-	-	-	-	-	4,508,707
Capital outlay	-	-	-	-	248,392	13,090,419
Utility operating expenses	-	-	-	-	-	5,586,537
Other disbursements	-	4,373	10,489	-	-	25,173,609
Total disbursements	<u>-</u>	<u>4,373</u>	<u>10,489</u>	<u>-</u>	<u>248,392</u>	<u>67,434,863</u>
Excess (deficiency) of receipts over disbursements	<u>99,384</u>	<u>-</u>	<u>21,152</u>	<u>6,205</u>	<u>5,051,608</u>	<u>(8,005,125)</u>
Cash and investments - ending	<u>\$ 99,384</u>	<u>\$ -</u>	<u>\$ 21,152</u>	<u>\$ 305,044</u>	<u>\$ 5,362,541</u>	<u>\$ 28,578,276</u>

TOWN OF SPEEDWAY
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Description of Debt Type	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
General obligation bonds	\$ 900,000	\$ 175,800
General obligation bonds	515,000	160,736
General obligation bonds	1,710,000	171,769
Revenue bonds	12,860,000	907,419
Revenue bonds	1,400,000	126,950
Revenue bonds	<u>20,550,000</u>	<u>1,795,686</u>
Total governmental activities	<u>37,935,000</u>	<u>3,338,360</u>
Wastewater:		
Revenue bonds	2,125,000	2,146,250
Revenue bonds	3,584,292	586,191
Revenue bonds	267,597	43,764
Revenue bonds	709,135	115,975
Revenue bonds	1,050,000	111,431
Revenue bonds	4,825,076	368,250
Revenue bonds	<u>13,649,000</u>	<u>632,849</u>
Total Wastewater	<u>26,210,100</u>	<u>4,004,710</u>
Water:		
Revenue bonds	1,050,000	282,660
Revenue bonds	559,000	10,470
Revenue bonds	<u>5,300,000</u>	<u>45,474</u>
Total Water	<u>6,909,000</u>	<u>338,604</u>
Totals	<u>\$ 71,054,100</u>	<u>\$ 7,681,674</u>

TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS – TOWN DISBURSEMENTS

The audit test of disbursements identified several deficiencies in the condition of records:

- Four separate single breaks in the check number series posted to the records were identified. The examiners requested to see the actual voided checks associated with the four items selected for testing. Only two of the four possible voided checks were presented for audit.
- The Town claims for 2012 were difficult to locate. On July 25, 2013, we provided the Town with our sample of claims to locate for testing. All claims were eventually located with the last claim being found on August 14, 2013. The claims were filed in boxes roughly by the date the claim was approved by the Town Board. One factor influencing the difficulty in locating the claims was that the approval date did not always coincide with the date listed on the claim and recorded in the system.
- As originally presented for audit, the SRC Allowance of Accounts Payable Vouchers for October 15, 2012, was not signed by the members of the Redevelopment Commission. A copy of the signed Allowance of Accounts Payable Voucher for the same date was provided at a later date.
- A review of the 2012 transactions charged to the Town's PNC Bank credit card identified that four claims were filed without supporting invoice documentation attached to the claim. The invoices were later located by the Town staff. They explained the invoices were either attached to different claims or found at the department level. A separate claim, paid to another vendor, was also identified that did not have proper supporting documentation. The amount of all invoices identified without supporting documentation totaled \$873.43.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid late fees and finance charges to their credit card vendor PNC bank in the amount of \$132.53. These fees and charges were assessed on the November 14, 2012 credit card statements.

The Town submitted their 2011 Annual Withholding Reconciliation form (WH3) to the Indiana Department of Revenue late. The form is due on or before the last day in February. The form was submitted on March 27th. The Indiana Department of Revenue charged a penalty in the amount of \$290.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for 2012:

Fund	Excess Amount Expended
General Fund	\$ 1,906,700
Park Bond Debt Service	9,248

A similar comment appeared in the prior Report B40749.

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

OFFICIAL BOND

The Clerk-Treasurer did not obtain an individual surety bond. The Town purchased a crime insurance policy instead. The crime insurance policy was for the amount of \$500,000 and was endorsed to include the faithful performance of any employee. There was no evidence provided that the alternate use of a crime insurance policy rather than an individual surety bond was approved by the Town Board.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS
(Continued)

- (b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).
- (c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:
 - (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
 - (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000).
- (d) Except as provided in subsection (j), a controller of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file an individual surety bond in an amount:
 - (1) fixed by the board of directors of the solid waste management district; and
 - (2) that is at least thirty thousand dollars (\$30,000).
- (e) Except as provided under subsection (d), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file a bond in an amount fixed by the board of directors."

FUND SOURCES AND USES

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 Utility and the Town separately.

A similar comment appeared in prior Report B40749.

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.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SPEEDWAY
AUDIT RESULTS AND COMMENTS
(Continued)

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Speedway's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 noncompliance 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 Town'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Basis for Qualified Opinion on Capitalization Grants for Clean Water State Revolving Funds and CDBG – State-Administered CDBG Cluster

As described in item 2012-6 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Capitalization Grants for Clean Water State Revolving Funds and CDBG - State - Administered CDBG Cluster. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to each program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

***Qualified Opinion on Capitalization Grants for Clean Water State
Revolving Funds and CDBG – State-Administered CDBG Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Capitalization Grants for Clean Water State Revolving Funds and Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended December 31, 2012.

Other Matters

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-6 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Paul D. Joyce, CPA
State Examiner

November 25, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF SPEEDWAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	DR-2-09-210	\$ 3,220,642
<u>U.S. Department of Transportation</u>				
Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants 1	Indiana Department of Transportation	20.601		40,164
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Department of Environmental Management	66.458	CCR#:5R8S2 WW09154905	82,205 2,431,871
Total - Capitalization Grants for Clean Water State Revolving Funds				2,514,076
Capitalization Grants for Drinking Water State Revolving Funds	Indiana Department of Environmental Management	66.468	DW11074901 DW11074902	19,607 96,502
Total - Capitalization Grants for Drinking Water State Revolving Funds				116,109
Total - Environmental Protection Agency				2,630,185
<u>U.S. Department of Homeland Security</u>				
Buffer Zone Protection Program (BZPP)	Indiana Department of Homeland Security	97.078	2010-BF-T0-0018	199,940
Total federal awards expended				\$ 6,090,931

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF SPEEDWAY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Speedway and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Qualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified, both
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds CDBG - State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute a material weakness and material noncompliance.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Town of Speedway has 24 separate bank accounts each with their own reconciliation. Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were not timely and contained errors.

A review of the reconcilements indicated the bank reconcilements for 2012 were not timely.

- The bank reconcilements for March 31, 2012, were dated August 8, 2012.
- The May 30, 2012 bank reconciliation for the General Account was dated October 11, 2012.
- The May 30, 2012 reconcilements for the other banks are dated subsequent to October 11th.
- After the month of May 2012, evidence was not provided that the Town reconciled each month. There were no printed reconcilements scheduled with the bank statements.

Review of the December 31, 2012 reconciliation indicated that the year-end reconciliation was conducted on March 4, 2013. Our testing of the original bank reconcilements indicated the following issues:

- Many of the reconcilements include unsupported items shown as adjusting entries. There was a net \$223,362.24 in unsupported adjustments included as part of the reconciliation. This included \$459,114.49 in positive adjustments and \$682,476.73 in negative adjustments.
- During the verification of the December 31, 2012 outstanding check lists, we identified and verified five errors. Four checks listed were to the wrong payee and for the wrong amounts. The fifth error was related to an individual check written from the Cum Cap Development Fund. This check was originally listed on the outstanding check list in the amount of \$8,000. This check was later determined to have been void.
- Lastly, a very low percentage (17.5 percent) of the December 31, 2012, outstanding checks cleared the bank in January or February 2013. A list of the larger outstanding checks, in the amount of \$1,209,106, was provided to the Town for further review. Additional information was only provided for one check in the amount of \$8,000, discussed above.

After discussions about these errors with the Town, the Town did extensive additional work to provide us with reconcilements which we could materially verify.

After these changes, we were able to materially verify the bank reconciliations, with the exception of the Redevelopment Commission funds and the Payroll Fund, which we have provided a qualified opinion for.

Indiana Code 5-13-6-1(e) states:

"All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 objections, 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.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**FINDING 2012-2 - INTERNAL CONTROLS OVER SPEEDWAY
REDEVELOPMENT COMMISSION TRANSITION**

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness and material noncompliance.

The Redevelopment Commission passed Resolution 2012-6 on July 2, 2012, which established a separate Treasurer for the Redevelopment Commission. The Resolution also indicated that the newly appointed Treasurer would be responsible for administering the funds and the accounts of the Redevelopment Commission.

The timing and wording of the Resolution indicated that the Town Clerk-Treasurer was responsible for administering the funds and accounts for the Redevelopment Commission from January 1, 2012 to July 1, 2012, and the newly appointed Redevelopment Commission Treasurer is responsible for administering the funds and accounts for the Redevelopment Commission from July 2, 2012 to December 31, 2012.

The Town is responsible for including the entire year's activity of the Redevelopment Commission in their financial statement independent of who is administering the funds and accounts.

A series of adjustments dated December 31, 2012, were designed to reduce the fund balances on the Town's records for the Redevelopment Commission accounts to zero by transferring the Redevelopment Commission funds to the newly appointed Redevelopment Commission Treasurer. Records indicated the following adjustments were made to the Town's funds:

- A decrease of \$308,719.76 to the SRC/OPERATING Fund
- A decrease of \$342,650 to the EDC DSR Fund
- A decrease of \$1,559,276.42 to the REDEVELOPMENT FUND
- A decrease of \$171,325 was made to the EDC DEBT SERVICE Fund

These adjustments brought the respective fund balances for these funds to zero on the Town's records. These adjustments were not supported by actual monies transferred to the new Redevelopment Commission Treasurer. In fact, the Redevelopment Commission Treasurer opened two new bank accounts which were funded by separate activities and transactions. At December 31, 2012, there was \$563,080.27 remaining in the Clerk-Treasurer's bank account dedicated for the Redevelopment Commission. The Clerk-Treasurer's fund balances associated with this bank account were zero due to the adjusting entries above.

The Redevelopment Commission maintained their own separate set of records and bank accounts for activity between July 2, 2012 and December 31, 2012. These records were audited.

Because we could not verify the recorded transactions and adjustments related to the transition of the recordkeeping from the Town's records to the Redevelopment Commission Treasurer's records, an adjustment could not be recommended to add this activity to the financial statement presented and a qualified opinion was given pertaining to the Redevelopment Commission funds.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, 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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2012-3 - INTERNAL CONTROLS OVER STATE REVOLVING LOAN MONIES

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness and material noncompliance.

The SRF-SW BONY Const Bond Fund accounts for monies held by the Bank of New York in the Town's name. The Town has not adopted practices that would ensure that these monies are properly accounted for on the financial records of the Town.

A recommended 2011 audit adjustment for the SRF-SW BONY Const Bond Fund was not made. A refund credit awarded to the Town in 2011 for the amount of \$370,146.88 in the SRF-SW BONY Const Bond Fund was not recorded in the 2011 records of the Town. Due to the materiality of the amount, an audit adjustment was recommended and originally accepted in the previous audit; however, the adjustment was not made in 2011 or 2012. An audit adjustment was again recommended and accepted by the Town officials, and made to the financial statement presented in this report.

A second error was found in the current 2012 audit. The total amount of the disbursement transactions related to the 2009 SRF #CCR#5852 was not posted to the SRF-SW BONY Const Bond Fund. The unposted disbursement was \$221,396.51.

The two unposted transactions caused the balance of the SRF-SW BONY Const Bond Fund to be misstated in the Town's records. The Fund is understated by \$148,750.37 on the Town's records. This has been corrected on the financial statement presented in this report.

Indiana Code 36-5-6-6 (a) states in part:

"The clerk-treasurer shall do the following:

- (1) Receive and care for all town money and pay the money out only on order of the town legislative body.
- (2) Keep accounts showing when and from what sources the clerk-treasurer has received town money and when and to whom the clerk-treasurer has paid out town money."

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 objections, 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.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2012-4 - INTERNAL CONTROLS OVER RECEIPT TRANSACTIONS

We noted deficiencies in the internal control system of the Town related to financial transactions and reporting of receipts. We believe the following deficiencies constitute a material weakness over internal controls.

A review of the 2012 Revenue History Report Ledger indicated that many of the calendar year 2012 receipts were issued out of sequence. Some of the receipt numbers listed with 2012 dates had adjacent receipt numbers with 2013 dates. Further testing identified that some 2012 receipts were actually posted in February 2013 and backdated to the date of the original calendar year 2012 transaction. Due to this issue, 10 percent of the receipts originally selected for testing had to be replaced because they were actually 2013 transactions.

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 objections, 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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2012-5 - INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF FEDERAL EXPENDITURES (SEFA)

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. During the audit of the SEFA, we noted the following immaterial errors:

- One grant was omitted from the SEFA. The total amount for the omitted grant was \$40,238.
- One grant was listed with incorrect program name.
- Inaccurate activity was reported for two grants. The total amount of errors was \$88,441.
- One grant was reported on the SEFA without an identifying number although the identifying number was found to have been assigned by the pass-through entity.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Audit adjustments were proposed and accepted by the Town officials, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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 objections, 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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-6 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agencies: Environmental Protection Agency
Federal Programs: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number (or Other Identifying Number): CCR#:5R8S2, WW09154905
Pass-Through Entity: Indiana Department of Environmental Management

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number (or Other Identifying Number): DR-2-09-210
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town of Speedway has not established an effective internal control system related to the grant agreement and the Equipment and Real Property Management compliance requirements that have a direct and material effect to the program.

The Town of Speedway did not maintain a complete inventory of construction in progress or infrastructure assets for the wastewater construction project funded by the Capitalization Grants for Clean Water State Revolving Funds. The Town provided a 2009 partial inventory for the wastewater construction project. The partial inventory included descriptions but did not include acquisition costs. The Town also provided a 2011 partial inventory of the wastewater construction project. The partial inventories did not include construction in progress. Also, a physical inventory has not been taken within the last two years.

Similarly, the Town did not maintain an inventory of construction in progress or infrastructure assets for the sewer separation project funded by the Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii.

TOWN OF SPEEDWAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time. Failure to maintain appropriate construction in progress records could result in improper accounting of those assets for reporting and accountability purposes.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented or, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

We recommended that the Town design and properly monitor procedures that would ensure accurate detailed capital asset records, including construction in progress, are maintained and that inventories of property, equipment are conducted as required.

Circular A133 Section .300 states:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

40 CFR 31.32(d) and 24 CFR 85.32(d) state in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2011-3 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Original SBA Audit Report Number: B40749

Fiscal Year: 2011

Federal Agencies: Environmental Protection Agency, U.S. Department
of Housing and Urban Development

Federal Programs: Capitalization Grants for Clean Water State Revolving Funds, Community Development
Block Grants/State's Program and Non-Entitlement Grants in Hawaii

CFDA Numbers: 66.458 and 14.228

Pass-through Entities: Indiana Department of Environmental Management,
Indiana Office of Community and Rural Affairs

Auditee Contact Person: Sharon Zishka

Title of Contact Person: Clerk-Treasurer

Status of Finding

Procedures to correct the deficiencies outlined in the finding are not yet in place. Although individual departments maintain a record of assets under their control, the records do not reflect any amount for yet-to-be completed construction projects. The Clerk-Treasurer will enlist the assistance of the Town Manager in establishing procedures for recording on-going construction projects in the appropriate department's asset records, as well as to maintain all information which complies with federal requirements for managing those assets.



CIVIL TOWN OF SPEEDWAY

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TOWN COUNCIL
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TOWN CLERK TREASURER
MONTY W. COMBS

TOWN MANAGER
BARBARA A. LAWRENCE

CORRECTIVE ACTION PLAN

2012-1 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The Town of Speedway is in the process of researching and correcting the errors in the bank reconcilments with the intent of bringing the bank account reconcilments to a current status. With the proper separation of duties in mind, employees in the Clerk-Treasurer's office will be assigned tasks relating to the recording of transactions and reconciling to bank accounts. Employees will be trained to perform these tasks in order to minimize the risk of errors and to ensure they are completed in a timely fashion.

2012-2 INTERNAL CONTROLS OVER SPEEDWAY REDEVELOPMENT COMMISSION TRANSITION

The Town of Speedway is in the process of researching and correcting the errors in adjustments made to the Redevelopment Commission fund balances on the Clerk-Treasurer's records in order to bring the bank account reconcilment to a current status. Any funds remaining in redevelopment bank accounts held by the town will be transferred to the Speedway Redevelopment Commission for deposit into bank accounts maintained by that entity.

The Town of Speedway Clerk-Treasurer's office will coordinate efforts with the Speedway Redevelopment Commission to develop a plan for the submission of financial reports and bank activity by the Redevelopment Commission to the town. This information will be reviewed and maintained by the Clerk-Treasurer's office, and will be reported in the town's annual statements beginning with the 2013 annual report.

2012-3 INTERNAL CONTROLS OVER STATE REVOLVING LOAN MONIES

The adjustment in the amount of \$370,146.88 recommended in the 2011 audit for the SRF-SW Bony Const Bond Fund will be made prior to the end of 2013. An adjustment in the amount of (\$221,396.51) relating to the current 2012 audit, will also be posted to the SRF-SW Bony Const Bond Fund.

To avoid errors in the future, postings to the construction funds for all state revolving fund activities will be made based on the grant administrator's detailed spreadsheets of claims for reimbursements, total payments made to date, and the amount still available to draw upon. This method will result in all disbursements to be recorded correctly, as well as provide a more reliable method of detecting and recording isolated instances such as the refund referred to in the finding.

FINDING 2012-4 INTERNAL CONTROLS OVER RECEIPT TRANSACTIONS

Procedures will be implemented in Town of Speedway Clerk-Treasurer's office in order to ensure employees are aware of requirements for timely issuance and posting of receipt transactions. Bank reconcilments will be performed in a timely fashion in order to detect and correct errors that might occur.

FINDING 2012-5 - INTERNAL CONTROLS OVER PREPARATION OF THE SCHEDULE OF FEDERAL EXPENDITURES (SEFA)

Through the coordinated efforts of the Town of Speedway Clerk-Treasurer, the Speedway Town Council, and Speedway Town Manager, the Town will establish internal control practices and procedures to ensure that all the required elements of the SEFA are accurately assembled and reported in the Gateway Annual Report.

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-6 - REAL PROPERTY AND EQUIPMENT

Federal Agency: Environmental Protection Agency and U.S. Department of Housing and Urban Development

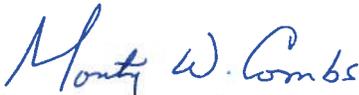
Federal Program: Capitalization Grants for Clean Water State Revolving Funds and Community Block Grants/State's Program and Non - Entitlement Grants in Hawaii

CFDA Number: 66.458 and 14.228

Federal Award Number and Year (or Other Identifying Number): WW09154905, CCR#:5R8S2 and DR-2-09-210

Pass-Through Entity: Indiana Department of Environmental Management and Indiana Office of Community and Rural Affairs

The Clerk-Treasurer, with the assistance of the Town Manager, will establish procedures for recording on-going construction projects in the appropriate department's asset records, as well as to maintain all information which complies with federal requirements for managing those assets. Individual department heads maintain records of assets under their control. As an added control over equipment and real property, departments will be asked to provide a copy of those records to the Clerk-Treasurer at each year end in order that the prescribed Capital Asset ledger (City and Town form number 211) can be maintained within the Clerk-Treasurer's office to serve as a summary of the town's detailed assets.



Monty W. Combs, Clerk-Treasurer
Town of Speedway

Nov. 25, 2013
Date

TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2013, with Sharon L. Zishka, former Clerk-Treasurer; Monty W. Combs, Clerk-Treasurer; and Eileen Fisher, President of the Town Council.