

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, 2013 to December 31, 2013



FILED
01/09/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-17
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	20-30
Schedule of Leases and Debt	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	34-36
Schedule of Expenditures of Federal Awards and Accompanying Note:	
Schedule of Expenditures of Federal Awards	38
Note to Schedule of Expenditures of Federal Awards	39
Schedule of Findings and Questioned Costs	40-47
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings	50
Corrective Action Plan	51-53
Other Report	54

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 12-31-15
President of the Town Council	Eileen Fisher Gary Raikes	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Superintendent of Water Utility	Stephen Hurst	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Norman Berry	01-01-13 to 12-31-14



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, 2013, 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. 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. 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, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, 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, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2014, 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 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 records 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

October 21, 2014



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, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 21, 2014, 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.

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 2013-001 and 2013-002 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 2013-001 and 2013-002.

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

October 21, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	\$ 3,801,636	\$ 8,514,628	\$ 8,691,363	\$ 3,624,901
MOTOR VEHICLE HIGHWAY	368,412	1,994,292	739,072	1,623,632
LOCAL ROAD & STREET	390,187	380,004	232,770	537,421
REC NONREVERTING	62,380	-	-	62,380
2013 STREET IMPROVEMENT	-	298	153,014	(152,716)
LAW ENF CONT EDUCATION	35,260	36,813	36,917	35,156
PARKS & RECREATION	25,411	158,671	187,110	(3,028)
RAINY DAY	741,332	-	-	741,332
LEVY EXCESS FUND	17,031	-	-	17,031
CUM CAP DEVELOPMENT	782,497	218,526	679,455	321,568
SRC/Operating Fund	450,204	575,216	900,201	125,219
Redevelopment Fund	1,805,238	12,766,359	11,305,872	3,265,725
POLICE PENSION	208,561	377,577	404,078	182,060
FIRE PENSION	406,702	538,408	576,452	368,658
FLEXIBLE SPENDING	22,389	-	-	22,389
FIRE TRAINING FUND	(155)	155	-	-
PUB SAFETY COIT	387,894	857,116	963,166	281,844
DONATION	(721)	721	-	-
POLICE GRANT	117	97	214	-
CRIMINAL INVEST CHECKING	8,017	41,870	23,732	26,155
CRIMINAL INVEST SAVINGS	165,414	436	13,436	152,414
CRIMINAL INVEST FEDERAL	28,809	-	10	28,799
EXTRA CURRICULAR	17,815	26,517	14,995	29,337
MOTORCYCLE	41,864	21,060	13,030	49,894
DARE	8,212	1,986	1,904	8,294
CANINE	16,720	400	11,785	5,335
CITIZENS ACADEMY FUND	238	-	-	238
HAZARDOUS MATERIALS	511	-	-	511
2011 G.O. BOND	302,085	-	226,946	75,139
2006 G.O. BOND	(446)	446	-	-
2009 G.O. BOND	40,953	338	41,291	-
G.O. DEBT SERVICE	124,943	356,122	336,529	144,536
2009 SRA TRUST/AGENT ACCT	1,448,072	524,050	705,449	1,266,673
2010 SRA TRUST/AGENT ACCT	3,435,733	6,830,719	8,487,571	1,778,881
ECONOMIC DEVELOPMENT COMM	3,517	-	3,517	-
PARK BOND CASH	4	1	-	5
PARK BOND DEBT SERVICE	51,137	183,086	171,769	62,454
UTILITY ESCROW	348,048	8,624,188	8,567,141	405,095
FRANKLIN TWP SMALL CLAIMS	751	-	751	-
PAYROLL FUND	635,460	8,119	403,061	240,518
STORMWATER MANAGEMENT	298,531	70,173	108,680	260,024
SEWER OPERATING	1,097,982	8,239,055	7,769,961	1,567,076
SEWER DEPRECIATION	798,481	75,000	666,112	207,369
SEWER BOND & INTEREST	304,931	1,598,832	1,363,175	540,588
SEWER CONSTRUCTION	22,530	-	-	22,530
SEWER PILOT CASH RESERVE	275,460	275,460	550,920	-
SEWER PLANT IMPROVEMENT	783,769	200	-	783,969
SEWER DEBT SERV RESERVE	6,137	208,452	208,452	6,137
ENVIR LIAB INS FUND	413,321	-	-	413,321
SRF-SW BONY B&I	905,994	1,492,738	1,685,229	713,503
SRF-SW BONY DSR	1,291,236	208,452	-	1,499,688
SRF-SW BONY-CONST BOND	36,945	-	36,945	-
SW TRASH FEES	23,593	268,169	-	291,762
SW RECYCLING FEES	(2,812)	105,689	91,837	11,040
SW/2013 BOND	-	-	124,972	(124,972)
SEWER BAN TO BOND	17,775	-	-	17,775
WATER UTILITY OPERATING	757,999	3,133,695	2,799,833	1,091,861
WATER DEPRECIATION	11,971	1,704,049	1,538,884	177,136
WATER BOND & INTEREST	234,060	402,018	667,120	(31,042)
WATER PILOT CASH RESERVE	99,384	99,384	198,768	-
WATER DEBT SERV RESERVE	-	155,537	22,416	133,121
SRF-WW BONY B&I	21,152	109,759	67,427	63,484
SRF-WW BONY DSR	305,044	22,416	-	327,460
SRF-WW BONY CONST	5,362,541	411,805	3,619,695	2,154,651
Totals	\$ 29,248,256	\$ 61,619,102	\$ 65,413,027	\$ 25,454,331

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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 Capitol 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 Capitol 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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of preliminary costs for 2013 Street Improvement Project and 2013 Wastewater Project that were to be reimbursed when bonds were issued but were not, incorrect receipting, and an inappropriate payment to a bonding agent that cannot be refunded as future debt requirements were calculated taking into consideration the overpayment.

Note 8. Restatements

For the year ended December 31, 2013, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances.

TOWN OF SPEEDWAY
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Fund Name	Balance as of December 31, 2012	Prior Period Adjustment	Balance as of January 1, 2013
SRC/Operating Fund	\$ -	\$ 450,204	\$ 450,204
Redevelopment Fund	-	1,805,238	1,805,238
SRF-SW BONY - CONST BOND	1,622,407	(1,585,462)	36,945

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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, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	REC NONREVERTING	2013 STREET IMPROVEMENT	LAW ENF CONT EDUCATION
Cash and investments - beginning	\$ 3,801,636	\$ 368,412	\$ 390,187	\$ 62,380	\$ -	\$ 35,260
Receipts:						
Taxes	4,694,021	-	-	-	-	-
Licenses and permits	315,843	-	-	-	-	5,685
Intergovernmental	2,082,644	510,866	343,059	-	-	-
Charges for services	207,758	-	-	-	-	1,360
Fines and forfeits	103,037	-	-	-	-	6,710
Utility fees	-	-	-	-	-	-
Other receipts	1,111,325	1,483,426	36,945	-	298	23,058
Total receipts	8,514,628	1,994,292	380,004	-	298	36,813
Disbursements:						
Personal services	7,970,945	478,358	-	-	-	-
Supplies	269,482	90,135	-	-	-	18,174
Other services and charges	450,936	159,197	232,770	-	153,014	18,743
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	550	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	10,832	-	-	-	-
Total disbursements	8,691,363	739,072	232,770	-	153,014	36,917
Excess (deficiency) of receipts over disbursements	(176,735)	1,255,220	147,234	-	(152,716)	(104)
Cash and investments - ending	\$ 3,624,901	\$ 1,623,632	\$ 537,421	\$ 62,380	\$ (152,716)	\$ 35,156

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	PARKS & RECREATION	RAINY DAY	LEVY EXCESS FUND	CUM CAP DEVELOPMENT	SRC/Operating Fund	Redevelopment Fund
Cash and investments - beginning	\$ 25,411	\$ 741,332	\$ 17,031	\$ 782,497	\$ 450,204	\$ 1,805,238
Receipts:						
Taxes	21,227	-	-	182,024	-	2,573,908
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	2,924,086
Charges for services	42,227	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	95,217	-	-	36,502	575,216	7,268,365
Total receipts	<u>158,671</u>	<u>-</u>	<u>-</u>	<u>218,526</u>	<u>575,216</u>	<u>12,766,359</u>
Disbursements:						
Personal services	115,635	-	-	-	-	-
Supplies	25,699	-	-	922	-	-
Other services and charges	34,529	-	-	167,523	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	986	-	-	424,088	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	10,261	-	-	86,922	900,201	11,305,872
Total disbursements	<u>187,110</u>	<u>-</u>	<u>-</u>	<u>679,455</u>	<u>900,201</u>	<u>11,305,872</u>
Excess (deficiency) of receipts over disbursements	<u>(28,439)</u>	<u>-</u>	<u>-</u>	<u>(460,929)</u>	<u>(324,985)</u>	<u>1,460,487</u>
Cash and investments - ending	<u>\$ (3,028)</u>	<u>\$ 741,332</u>	<u>\$ 17,031</u>	<u>\$ 321,568</u>	<u>\$ 125,219</u>	<u>\$ 3,265,725</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	POLICE PENSION	FIRE PENSION	FLEXIBLE SPENDING	FIRE TRAINING FUND	PUB SAFETY COIT	DONATION
Cash and investments - beginning	\$ 208,561	\$ 406,702	\$ 22,389	\$ (155)	\$ 387,894	\$ (721)
Receipts:						
Taxes	-	-	-	-	857,116	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	377,577	538,408	-	155	-	721
Total receipts	377,577	538,408	-	155	857,116	721
Disbursements:						
Personal services	-	-	-	-	963,166	-
Supplies	-	-	-	-	-	-
Other services and charges	404,078	576,452	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	404,078	576,452	-	-	963,166	-
Excess (deficiency) of receipts over disbursements	(26,501)	(38,044)	-	155	(106,050)	721
Cash and investments - ending	\$ 182,060	\$ 368,658	\$ 22,389	\$ -	\$ 281,844	\$ -

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	POLICE GRANT	CRIMINAL INVEST CHECKING	CRIMINAL INVEST SAVINGS	CRIMINAL INVEST FEDERAL	EXTRA CURRICULAR	MOTORCYCLE
Cash and investments - beginning	\$ 117	\$ 8,017	\$ 165,414	\$ 28,809	\$ 17,815	\$ 41,864
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	97	41,870	436	-	26,517	21,060
Total receipts	97	41,870	436	-	26,517	21,060
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	214	-	-	-	4,755	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	23,732	13,436	10	10,240	13,030
Total disbursements	214	23,732	13,436	10	14,995	13,030
Excess (deficiency) of receipts over disbursements	(117)	18,138	(13,000)	(10)	11,522	8,030
Cash and investments - ending	\$ -	\$ 26,155	\$ 152,414	\$ 28,799	\$ 29,337	\$ 49,894

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	DARE	CANINE	CITIZENS ACADEMY FUND	HAZARDOUS MATERIALS	2011 G.O. BOND	2006 G.O. BOND
Cash and investments - beginning	\$ 8,212	\$ 16,720	\$ 238	\$ 511	\$ 302,085	\$ (446)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,986	400	-	-	-	446
Total receipts	<u>1,986</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	226,946	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,904	11,785	-	-	-	-
Total disbursements	<u>1,904</u>	<u>11,785</u>	<u>-</u>	<u>-</u>	<u>226,946</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>82</u>	<u>(11,385)</u>	<u>-</u>	<u>-</u>	<u>(226,946)</u>	<u>446</u>
Cash and investments - ending	<u>\$ 8,294</u>	<u>\$ 5,335</u>	<u>\$ 238</u>	<u>\$ 511</u>	<u>\$ 75,139</u>	<u>\$ -</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	2009 G.O. BOND	G.O. DEBT SERVICE	2009 SRA TRUST/AGENT ACCT	2010 SRA TRUST/AGENT ACCT	ECONOMIC DEVELOPMENT COMM	PARK BOND CASH
Cash and investments - beginning	\$ 40,953	\$ 124,943	\$ 1,448,072	\$ 3,435,733	\$ 3,517	\$ 4
Receipts:						
Taxes	-	333,601	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	22,488	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	338	33	524,050	6,830,719	-	1
Total receipts	<u>338</u>	<u>356,122</u>	<u>524,050</u>	<u>6,830,719</u>	<u>-</u>	<u>1</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	703,141	2,248,639	3,517	-
Debt service - principal and interest	-	336,529	-	-	-	-
Capital outlay	41,291	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	2,308	6,238,932	-	-
Total disbursements	<u>41,291</u>	<u>336,529</u>	<u>705,449</u>	<u>8,487,571</u>	<u>3,517</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(40,953)</u>	<u>19,593</u>	<u>(181,399)</u>	<u>(1,656,852)</u>	<u>(3,517)</u>	<u>1</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 144,536</u>	<u>\$ 1,266,673</u>	<u>\$ 1,778,881</u>	<u>\$ -</u>	<u>\$ 5</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	PARK BOND DEBT SERVICE	UTILITY ESCROW	FRANKLIN TWP SMALL CLAIMS	PAYROLL FUND	STORMWATER MANAGEMENT	SEWER OPERATING
Cash and investments - beginning	\$ 51,137	\$ 348,048	\$ 751	\$ 635,460	\$ 298,531	\$ 1,097,982
Receipts:						
Taxes	183,086	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	69,973	-
Charges for services	-	8,622,119	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	200	5,690,023
Other receipts	-	2,069	-	8,119	-	2,549,032
Total receipts	<u>183,086</u>	<u>8,624,188</u>	<u>-</u>	<u>8,119</u>	<u>70,173</u>	<u>8,239,055</u>
Disbursements:						
Personal services	-	-	-	316,262	-	1,693,830
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	87,228
Debt service - principal and interest	171,769	-	-	-	-	-
Capital outlay	-	-	-	-	26,593	9,170
Utility operating expenses	-	-	-	-	82,087	1,549,529
Other disbursements	-	8,567,141	751	86,799	-	4,430,204
Total disbursements	<u>171,769</u>	<u>8,567,141</u>	<u>751</u>	<u>403,061</u>	<u>108,680</u>	<u>7,769,961</u>
Excess (deficiency) of receipts over disbursements	<u>11,317</u>	<u>57,047</u>	<u>(751)</u>	<u>(394,942)</u>	<u>(38,507)</u>	<u>469,094</u>
Cash and investments - ending	<u>\$ 62,454</u>	<u>\$ 405,095</u>	<u>\$ -</u>	<u>\$ 240,518</u>	<u>\$ 260,024</u>	<u>\$ 1,567,076</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	SEWER DEPRECIATION	SEWER BOND & INTEREST	SEWER CONSTRUCTION	SEWER PILOT CASH RESERVE	SEWER PLANT IMPROVEMENT	SEWER DEBT SERV RESERVE
Cash and investments - beginning	\$ 798,481	\$ 304,931	\$ 22,530	\$ 275,460	\$ 783,769	\$ 6,137
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	75,000	-	-	-	-	-
Other receipts	-	1,598,832	-	275,460	200	208,452
Total receipts	<u>75,000</u>	<u>1,598,832</u>	<u>-</u>	<u>275,460</u>	<u>200</u>	<u>208,452</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	137,840	-	-	-	-
Capital outlay	341,640	-	-	-	-	-
Utility operating expenses	249,472	-	-	-	-	-
Other disbursements	75,000	1,225,335	-	550,920	-	208,452
Total disbursements	<u>666,112</u>	<u>1,363,175</u>	<u>-</u>	<u>550,920</u>	<u>-</u>	<u>208,452</u>
Excess (deficiency) of receipts over disbursements	<u>(591,112)</u>	<u>235,657</u>	<u>-</u>	<u>(275,460)</u>	<u>200</u>	<u>-</u>
Cash and investments - ending	<u>\$ 207,369</u>	<u>\$ 540,588</u>	<u>\$ 22,530</u>	<u>\$ -</u>	<u>\$ 783,969</u>	<u>\$ 6,137</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	ENVIR LIAB INS FUND	SRF-SW BONY B&I	SRF-SW BONY DSR	SRF-SW BONY-CONST BOND	SW TRASH FEES	SW RECYCLING FEES
Cash and investments - beginning	\$ 413,321	\$ 905,994	\$ 1,291,236	\$ 36,945	\$ 23,593	\$ (2,812)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	268,169	105,689
Other receipts	-	1,492,738	208,452	-	-	-
Total receipts	-	1,492,738	208,452	-	268,169	105,689
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	1,685,229	-	-	-	-
Capital outlay	-	-	-	36,945	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	91,837
Total disbursements	-	1,685,229	-	36,945	-	91,837
Excess (deficiency) of receipts over disbursements	-	(192,491)	208,452	(36,945)	268,169	13,852
Cash and investments - ending	\$ 413,321	\$ 713,503	\$ 1,499,688	\$ -	\$ 291,762	\$ 11,040

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	SW/2013 BOND	SEWER BAN TO BOND	WATER UTILITY OPERATING	WATER DEPRECIATION	WATER BOND & INTEREST	WATER PILOT CASH RESERVE
Cash and investments - beginning	\$ -	\$ 17,775	\$ 757,999	\$ 11,971	\$ 234,060	\$ 99,384
Receipts:						
Taxes	-	-	167,346	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	2,719,611	-	-	-
Other receipts	-	-	246,738	1,704,049	402,018	99,384
Total receipts	-	-	3,133,695	1,704,049	402,018	99,384
Disbursements:						
Personal services	-	-	1,092,035	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	87,228	-	-	-
Debt service - principal and interest	-	-	-	-	556,290	-
Capital outlay	60,607	-	-	1,538,884	-	-
Utility operating expenses	-	-	872,580	-	-	-
Other disbursements	64,365	-	747,990	-	110,830	198,768
Total disbursements	124,972	-	2,799,833	1,538,884	667,120	198,768
Excess (deficiency) of receipts over disbursements	(124,972)	-	333,862	165,165	(265,102)	(99,384)
Cash and investments - ending	\$ (124,972)	\$ 17,775	\$ 1,091,861	\$ 177,136	\$ (31,042)	\$ -

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	WATER DEBT SERV RESERVE	SRF-WW BONY B&I	SRF-WW BONY DSR	SRF-WW BONY CONST	Totals
Cash and investments - beginning	\$ -	\$ 21,152	\$ 305,044	\$ 5,362,541	\$ 29,248,256
Receipts:					
Taxes	-	-	-	-	9,012,329
Licenses and permits	-	-	-	-	321,528
Intergovernmental	-	-	-	-	5,953,116
Charges for services	-	-	-	-	8,873,464
Fines and forfeits	-	-	-	-	109,747
Utility fees	-	-	-	-	8,858,692
Other receipts	155,537	109,759	22,416	411,805	28,490,226
Total receipts	<u>155,537</u>	<u>109,759</u>	<u>22,416</u>	<u>411,805</u>	<u>61,619,102</u>
Disbursements:					
Personal services	-	-	-	-	12,630,231
Supplies	-	-	-	-	409,381
Other services and charges	-	-	-	-	5,326,995
Debt service - principal and interest	-	67,427	-	-	2,955,084
Capital outlay	-	-	-	3,619,695	6,327,395
Utility operating expenses	-	-	-	-	2,753,668
Other disbursements	22,416	-	-	-	35,010,273
Total disbursements	<u>22,416</u>	<u>67,427</u>	<u>-</u>	<u>3,619,695</u>	<u>65,413,027</u>
Excess (deficiency) of receipts over disbursements	<u>133,121</u>	<u>42,332</u>	<u>22,416</u>	<u>(3,207,890)</u>	<u>(3,793,925)</u>
Cash and investments - ending	<u>\$ 133,121</u>	<u>\$ 63,484</u>	<u>\$ 327,460</u>	<u>\$ 2,154,651</u>	<u>\$ 25,454,331</u>

TOWN OF SPEEDWAY
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Oshkosh Capital	Fire Truck for Department	\$ 105,859	04/25/13	04/25/20
Total of annual lease payments		<u>\$ 105,859</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligations Bonds Series 2005	\$ 375,000	\$ 159,814
General obligation bonds	Park District Bonds Series 2008	1,620,000	167,494
General obligation bonds	General Obligation Bonds Series 2011	740,000	183,363
General obligation bonds	2013 Street Improvements Bond	1,450,000	22,486
General obligation bonds	Redevelopment Commission - Redevelopment District Bonds of 2009 A-1	15,525,000	910,431
General obligation bonds	Redevelopment Commission - Redevelopment District Bonds of 2009 A-2	1,370,000	124,850
General obligation bonds	Redevelopment Commission - Redevelopment District Bonds of 2010	19,945,000	1,789,403
General obligation bonds	Redevelopment Commission - Economic Development Revenue Bond Anticipation Note of 2011	6,230,000	342,650
General obligation bonds	Redevelopment Commission - Redevelopment District Bonds Series 2013	<u>2,250,000</u>	<u>91,856</u>
Total governmental activities		<u>49,505,000</u>	<u>3,792,347</u>
Wastewater:			
Revenue bonds	2013 Sewage Works Refunding Revenue Bonds	4,032,000	661,655
Revenue bonds	2013 Sewage Works Revenue Bonds	4,400,000	324,050
Revenue bonds	Pay the costs of certain improvements extensions additions and replacements of the Utility and the payment of costs incidental to the issuance of the 2004 Bonds.	985,000	113,831
Revenue bonds	Provide funding for the acquisition of any and all necessary property for and the construction of improvements to the wastewater system and the cost related to the issuance of the 2009 Bonds.	4,604,474	368,250
Revenue bonds	Provide funding for the acquisition of any and all necessary property for and the construction of improvements to the wastewater system and the cost related to the issuance of the 2011 Bonds.	<u>11,856,538</u>	<u>633,390</u>
Total Wastewater		<u>25,878,012</u>	<u>2,101,176</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds Series 2001	555,000	295,530
Revenue bonds	Waterworks Revenue Bonds Series 2011	559,000	21,921
Revenue bonds	Waterworks Revenue Bonds Series 2013	<u>5,300,000</u>	<u>83,672</u>
Total Water		<u>6,414,000</u>	<u>401,123</u>
Totals		<u>\$ 81,797,012</u>	<u>\$ 6,294,646</u>

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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, 2013. 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.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended December 31, 2013.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-005. Our opinion on each major federal program is not modified with respect to this matter.

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 a material weakness and a significant deficiency.


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 2013-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-004 to be a significant deficiency.

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

October 21, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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, 2013

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>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	IN Office of Community and Rural Affairs	14.228	#038-DR2-09-100X	\$ 25,000
Total - CDBG - State-Administered CDBG Cluster				<u>25,000</u>
Total - Department of Housing and Urban Development				<u>25,000</u>
<u>Department of Justice</u>				
Edward Byrne Memorial Justice Assistance Grant Program 2012 JAG \$10K & Under Equipment Grant	Indiana Criminal Justice Institute	16.738	EDS #D3-13-7198	5,219
Total - Department of Justice				<u>5,219</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	IN Department of Transportation	20.205	Des # 1172450 Des # 1173522	734,122 <u>2,189,964</u>
Total - Highway Planning and Construction Cluster				<u>2,924,086</u>
Total - Department of Transportation				<u>2,924,086</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW09154905	18,473
Total - Capitalization Grants for Clean Water State Revolving Funds				<u>18,473</u>
Capitalization Grants for Drinking Water State Revolving Funds	Indiana Finance Authority	66.468	DW11074902 DW11074901	57,674 <u>1,485,960</u>
Total - Capitalization Grants for Drinking Water State Revolving Funds				<u>1,543,634</u>
Total - Environmental Protection Agency				<u>1,562,107</u>
<u>Department of Homeland Security</u>				
Buffer Zone Protection Program (BZPP)	IN Department of Homeland Security	97.078	C44P-2-147A	17,340
Total - Department of Homeland Security				<u>17,340</u>
Total federal awards expended				<u>\$ 4,533,752</u>

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 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; Unmodified 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?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified
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
66.468	Highway Planning and Construction Cluster Capitalization Grants for Drinking Water State Revolving Funds

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 2013-001 - 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 material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, disbursements, payroll, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. The following specific items were identified in our audit as weaknesses:

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

- All of the Clerk-Treasurer's Office employees had the ability to open mail, collect money, write receipts, prepare deposit slips, and make deposits for both Town and Utility collections.
 - Physical control over the Clerk-Treasurer's signature stamp was not established. Prior to November 1, 2013, all checks were signed by the former Clerk-Treasurer using a signature stamp. Several of the Clerk-Treasurer's Office employees had access to the signature stamp.
 - During 2013, the Town contracted with Time Payroll, a vendor, to handle payroll disbursements. Certified timesheets were submitted for employees paid weekly to Time Payroll; however, salaried employees did not submit certified timesheets. Time Payroll submitted Payroll Detail Reports each month to the Clerk-Treasurer. All paid leave time was tracked manually by a Town employee. There was no evidence presented indicating that the salaried employees' time, the information submitted to Time Payroll, and the manual leave records prepared by an employee were reviewed for accuracy.
 - The Redevelopment Commission bank reconciliations were performed; however, no evidence was presented indicating these were reviewed by a separate individual.
 - The same individual was responsible for receiving monies, writing receipts, preparing deposit slips, and making deposits for the Redevelopment Commission collections.
2. Report Preparation: The Town has not established effective controls to allow for the proper reporting of the Town's receipts, disbursements, and cash and investment balances. The financial statement was compiled from information entered by the Town into the Annual Financial Report within the Gateway System. The financial statement presented for audit included the following errors and omissions:
- The SRC/Operating Fund receipts and ending fund balance were overstated by \$6,493.
 - The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. We noted the following errors on the report:
 - The beginning cash balance of \$1,805,238 was omitted.
 - The receipts were understated by \$1,971,990.
 - The disbursements were understated by \$1,225,657.
 - The Town did not have internal controls in place to insure that accurate monthly reconciliations of the bank accounts to the records are prepared and reviewed. A financial consultant was hired by the Town in 2013 to reconcile the records to the bank statements and completed the December 2013 reconciliation in April 2014. There was no evidence presented indicating the Consultant's prepared bank reconciliations were reviewed for accuracy by the Town prior to the posting of the Consultant's recommended adjustments, which were posted to the 2013 records. The lack of timely accurate bank reconciliations can result in posting errors not being located and corrected.

The Town approved and made the necessary adjustments to the financial statement included in this report.

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 objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content presented by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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."

FINDING 2013-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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). It was determined that no review of the preparation of the SEFA was performed. 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 errors:

- The Highway Planning and Construction grant was omitted from the SEFA causing an understatement in the amount of \$2,924,086.
- A grant in the amount of \$5,219 from the Department of Justice was omitted from the SEFA.
- Two grants from the Environmental Protection Agency were omitted from the SEFA. The first was in the amount of \$18,473 and the second in the amount of \$1,543,634.

Audit adjustments were necessary to accurately reflect the federal grant activity of the Town. Audit adjustments were recommended and accepted by the Town.

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

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS

Federal Agency: Environmental Protection Agency

Federal Program: Capitalization Grants for Drinking Water State Revolving Funds

CFDA Number: 66.468

Federal Award Number and Year (or Other Identifying Number): DW11074902 and DW11074901

Pass-Through Entity: Indiana Finance Authority

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Period of Availability; Procurement, Suspension and Debarment; and Reporting. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, Procurement, Suspension and Debarment, and Reporting

The Town had not designed or implemented policies and procedures to adequately segregate duties surrounding grant expenditures and submission of timely and accurate grants reimbursement requests. The Town requested Capitalization Grants for Drinking Water State Revolving Funds (SRF) reimbursement payments by submitting SRF Disbursement Requests to the Indiana Finance Authority (IFA) through the Bank of New York. The SRF Disbursement Requests were prepared and submitted by the Town Manager based on approved invoices. No review of the preparation or submission process was performed by anyone else. An inadequate review of the SRF Disbursement Requests may cause some disbursements to be incorrectly included or excluded for reimbursement. Also, the amounts submitted for reimbursement could be incorrect or inaccurate. The Town had not implemented adequate internal controls to ensure that Town complied with these grant requirements.

Davis-Bacon Act

A contractor was designated with the IFA to oversee the Davis-Bacon Act labor standard requirements for SRF grants. The Town, however, performed no oversight of the contractor's reviews of payrolls. The Town had not implemented adequate review procedures to ensure that the Town was in compliance with the Davis-Bacon Act requirements.

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.

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

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES # 1172450, DES # 1173522,
FY2013

Pass-Through Entity: Indiana Department of Transportation

Internal controls and adequate oversight over Cash Management and Reporting were not always effectively implemented. The reimbursement requests were prepared by the Program Director or the Construction Engineer. The Program Director approved all reimbursement requests. In some cases, a copy of the check to the vendor was included with the supporting documentation for the reimbursement request. Other reimbursement requests did not include any proof of payment. A second review of reimbursement requests was not always documented.

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town and the Redevelopment Commission (RDC).

We recommended that the Town's and RDC's management review and monitor established controls related to the grant agreement and compliance requirements that have a direct and material effect to the program.

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

FINDING 2013-005 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Transportation
Federal Program: Highway Planning and Construction
CFDA Number: 20.205
Federal Award Number and Year (or Other Identifying Number): DES # 1172450, DES # 1173522,
FY2013
Pass-Through Entity: Indiana Department of Transportation

The Redevelopment Commission (RDC), a department of the Town, did not comply with the Cash Management requirement to pay vendors before being reimbursed for the Highway Planning and Construction grants. The RDC submitted reimbursement requests claiming expenses incurred for construction engineers prior to paying those expenses in 50 percent of reimbursement requests tested. In these cases, the reimbursement requests inaccurately indicated that the unit had paid these expenses; therefore, Reporting requirements for accurate reporting were not met.

The amount received prior to payment of expenses totaled \$53,797. All amounts received were paid out to the construction engineers. The Program Director was unaware the reimbursements were received prior to payment. The noncompliance was primarily due to a lack of effective oversight and internal control (as noted in Finding 2013-004) over Cash Management and Reporting procedures.

49 CFR 18.21 states in part:

"(a) *Scope*. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) *Basic standard*. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) *Advances*. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

(d) *Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

In addition, the Local Public Agency Project Coordination Contract with the Indiana Department of Public Transportation section VI-N states in part: "All payments made by INDOT, if any, shall be made in arrears in conformance with State fiscal policies and procedures . . ."

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

49 CFR 18.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

The failure to abide by the terms of the grant could result in the Town and RDC being ineligible for grants in the future. Specifically, requesting the receipt of funds prior to paying the construction engineers resulted in the grant funds being paid in advance of the expenditures and inaccurate expenditure reporting, because the funds were not spent at the time the reimbursement report was filed. Both Cash Management and Reporting requirements were not met in these instances.

We recommended that the Town's management and RDC contact INDOT to resolve the noncompliance issues related to misreporting noted above. Additionally, we recommended that the Town's management review and improve oversight, including internal controls, to effectively provide reasonable assurance for compliance with the requirements for Cash Management and Reporting requirements.

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.



CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL

GARY L. RAIKES
WILLIAM SUFFEL
EILEEN FISHER
JEFF S. HARTMAN
DAVID LINDSEY

TELEPHONE: 317/ 246-4111

FAX: 317/ 246-4101

TOWN CLERK TREASURER

MONTY W. COMBS

TOWN MANAGER

Ian Nicolini

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

FINDING 2012-6 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Original SBA Audit Report Number: B43202

Fiscal Year: 2012

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

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

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

Auditee Contact Person: Monty W. Combs

Title of Contact Person: Clerk-Treasurer

Contact Phone Number: 317-246-4111

Contact E-mail: mcombs@townofspeedway.org

Status of Finding:

Procedures to correct the deficiencies outlined in the finding are now in place. Although individual departments have maintained a record of assets under their control, the Town of Speedway will complete a full inventory of all Capital Assets within the Town whether it is a completed project or with work to be completed. The Town will then monitor the assets on a quarterly basis, with reporting of all completions, deletions or additional assets within the report. The Clerk-Treasurer will lead this project and maintenance of capital assets with the input of all department heads.



CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL
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FAX: 317/ 246-4101

TOWN CLERK TREASURER
MONTY W. COMBS

TOWN MANAGER
Ian Nicolini

October 3, 2014

CORRECTIVE ACTION PLAN

2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING:

Number 1

- All of the Clerk-Treasurer's office employees had the ability to open mail, collect money, write receipts, create deposit slips, and make deposits for both town and utility collections.

Response: Separation of duties has been implemented in 2014

- Physical control over the Clerk-Treasurer's signature stamp was not established. Prior to November 1, 2013, all checks were signed by the former Clerk-Treasurer (Sharon Zishka) using a signature stamp. Several of the Clerk-Treasurer's office employees had access to the signature stamp.

Response: All checks are signed by the Clerk-Treasurer either by hand or signature stamp. Only one signature stamp exists, which is in control of the Clerk-Treasurer only.

- During 2013, the Town contracted with Time Payroll, a vendor, to handle payroll disbursements. Certified time sheets were submitted for employees paid weekly to Time Payroll, however, salaried employees did not submit certified time sheets. Time Payroll submitted Payroll Detail Reports each month to the Clerk-Treasurer. All paid leave time was tracked manually by a Town employee. There was no evidence presented indicating that the salaried employees' time, the information submitted to Time Payroll, and the manual leave records prepared by an employee were reviewed for accuracy.

Response: Each Department maintains the times worked and leave time taken for their Salaried Personnel, which is reviewed by the Clerk-Treasurer's Office.

- The Redevelopment Commission bank reconciliations were performed; however, no evidence was presented indicating these were reviewed by a separate individual.

Response: As of July 1, 2014 all bank activity and reconciliations are handled by the Clerk-Treasurer's Office per change in State Statute.

- The same individual was responsible for receiving monies, writing receipts, writing deposit slips, and making deposits for the Redevelopment Commission collections.

Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.

2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING:
Number 2

- The SRC/Operating Fund receipts and ending fund balance were overstated by \$6,493.
- The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. We noted the following errors on the report:
 - The beginning cash balance of \$1,805,238 was omitted.
 - The receipts were understated by \$1,971,990.
 - The disbursements were understated by \$1,225,657.

Response: These were one-time errors and have been resolved.

- The Town did not have internal controls in place to insure monthly accurate record to bank reconciliations are prepared and reviewed. A financial consultant was hired by the Town in 2013 to reconcile the records to the bank statements and completed the December 2013 reconciliation in April 2014. There was no evidence presented indicating the Consultant's prepared bank reconciliations were reviewed for accuracy by the Town prior to the posting of the Consultant's recommended adjustments which were posted to the 2013 records. The lack of timely accurate bank reconciliations can result in posting errors not being located and corrected.

Response: The result from the Consultant's work was reviewed by the current Clerk-Treasurer before adjustments were made. However, the Clerk-Treasurer was without knowledge of the activity for late 2012 and 2013, of which the Consultant corrected.

The Town approved and made the necessary adjustments to correct these errors which resulted in a financial statement that is fairly presented.

2013- 002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- The Highway Planning and Construction grant was omitted from the SEFA causing an understatement in the amount of \$2,924,086.
- A grant in the amount of \$5,219 from the Department of Justice was omitted from the SEFA.
- Two grants from the Environmental Protection Agency were omitted from the SEFA. The first was in the amount of \$18,473 and the second in the amount of \$1,543,634.

Response: As of July 1, 2014 all Financials are handled by the Clerk-Treasurer's Office per change in State Statute.

2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS

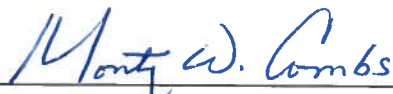
Response: Internal Controls have been implemented to correct this issue.

2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HIGHWAY PLANNING AND CONSTRUCTION


Response: Due to the statutory changes in 2014, this Internal Control issue has been corrected.

2013-005 - CASH MANAGEMENT AND REPORTING

Response: Due to the statutory changes in 2014, this issue has been corrected.



Monty W. Combs, CFE
Clerk-Treasurer



Date



OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.