

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

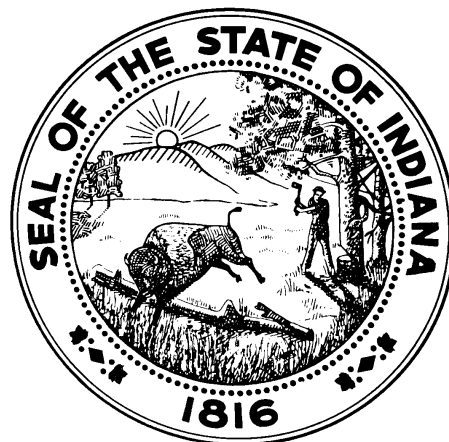
EXAMINATION REPORT

OF

TOWN OF SPEEDWAY

MARION COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
12/01/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon L. Zishka	01-01-04 to 12-31-11
President of the Town Council	Jeff S. Hartman William T. Golay Gary L. Raikes	01-01-07 to 04-09-07 04-10-07 to 12-31-07 01-01-08 to 12-31-08
Water Utility Superintendent	Michael G. Littlejohn Stephen D. Hurst (Interim)	01-01-07 to 04-01-08 04-02-08 to 12-31-08
Wastewater Utility Superintendent	Norman C. Berry	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Speedway (Town), for the period of January 1, 2007 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

September 17, 2008

TOWN OF SPEEDWAY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,201,114	\$ 7,866,945	\$ 8,268,288	\$ 799,771
Motor Vehicle Highway	879,525	734,750	640,078	974,197
Local Road and Street	695,415	173,976	371,284	498,107
Park and Recreation	94,814	87,466	113,115	69,165
Law Enforcement Continuing Education	113,091	35,187	53,119	95,159
Rainy Day	16,982	-	-	16,982
Fire Training	496	-	134	362
Hazardous Materials	4,921	-	-	4,921
Criminal Investigation	197,492	41,336	36,222	202,606
Liberty Shield Buffer Zone	-	174,830	172,491	2,339
Storm Water Management	143,006	168,666	148,216	163,456
Redevelopment Commission	2,113,126	1,902,918	1,714,162	2,301,882
G. O. Bond Debt Service	580,280	1,193,998	1,482,557	291,721
G. O. Bond Interest	35,967	68,212	350	103,829
Cumulative Capital Development	918,331	421,461	405,015	934,777
Recreation Nonreverting Capital	51,361	4,000	2,168	53,193
G. O. Bond Construction	2,107,346	-	730,028	1,377,318
Proprietary Funds:				
Water Utility - Operating	266,056	2,219,845	2,207,566	278,335
Water Utility - Bond and Interest	301,987	279,960	279,535	302,412
Water Utility - Reserve	-	32,436	32,436	-
Water Utility - Depreciation	1,062,224	155,533	74,162	1,143,595
Water Utility - Redemption	443	-	-	443
Wastewater Utility - Operating	978,373	3,187,796	2,922,417	1,243,752
Wastewater Utility - Bond and Interest	1,160,785	862,680	1,725,817	297,648
Wastewater Utility - Reserve	-	983,731	119,976	863,755
Wastewater Utility - Depreciation	1,711,555	2,190,000	1,657,285	2,244,270
Wastewater Utility - Construction	306,891	4,278	-	311,169
Wastewater Utility - Plant Improvement	1,028,502	770,601	768,601	1,030,502
Wastewater Utility - Redemption	284	-	-	284
Environmental Liability Insurance	293,450	29,397	-	322,847
Fiduciary Funds:				
Police Officers' Pension	89,855	382,097	402,610	69,342
Firefighters' Pension	56,423	605,610	650,615	11,418
Payroll II	1,040	8,223	5,529	3,734
Flexible Spending	11,673	60,428	56,609	15,492
Utility Escrow	107,749	6,020,909	6,035,034	93,624
Totals	<u>\$ 16,530,557</u>	<u>\$ 30,667,269</u>	<u>\$ 31,075,419</u>	<u>\$ 16,122,407</u>

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees

TOWN OF SPEEDWAY
NOTES TO FINANCIAL INFORMATION
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Events

Town Council

On May 12, 2008, the Town Council awarded the contract for the Water Facility Storage Tank Project to Diversified Coating Limited in the amount of \$186,400.

On June 9, 2008, the Town Council approved the temporary loan of \$415,000 to the Town's Debt Service Fund from the Water Utility Depreciation Fund.

On July 28, 2008, the Town Council approved the contract with Commonwealth Engineering for the Wastewater Utility Master Plan in the amount of \$207,000.

On August 25, 2008, the Town Council awarded the contract for the Dry Run Ditch Maintenance Project to Asplundh in the amount of \$194,875.

Park Debt

On June 30, 2008, the \$1,995,000 Town of Speedway, Indiana Park District Bonds, Series 2008 were issued. The first payment of \$52,203 is due on January 15, 2009.

Redevelopment Commission

On August 19, 2008, the Town of Speedway, Redevelopment Commission received approval for the master lease with the Town of Speedway, Redevelopment Authority regarding the Lease Rental Revenue Bonds in the aggregate principal amount not to exceed \$62,775,000 and an annual lease rental payment not to exceed \$6,036,000.

TOWN OF SPEEDWAY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

AS OF DECEMBER 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 26,000
Buildings	4,303,300
Improvements other than buildings	1,002,495
Machinery and equipment	<u>4,028,833</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 9,360,628</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 13,047
Infrastructure	4,125,043
Buildings	790,820
Improvements other than buildings	2,645,303
Machinery and equipment	<u>979,344</u>
 Total Water Utility capital assets	 <u>8,553,557</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Infrastructure	5,647,134
Buildings	1,043,139
Improvements other than buildings	233,268
Machinery and equipment	<u>5,480,809</u>
 Total Wastewater Utility capital assets	 <u>12,404,350</u>
 Total business-type activities capital assets	 <u>\$ 20,957,907</u>

TOWN OF SPEEDWAY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

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

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Bonds payable		
General obligation bonds:		
Town Hall and Municipal Building Renovations, 2000 Issue	\$ 690,000	\$ 188,855
Police and Fire capital equipment, 2005A Issue	240,000	246,150
Police, Fire, and Park capital equipment, 2005B Issue	1,140,000	160,493
Police and Fire capital equipment, 2006 Issue	<u>1,225,000</u>	<u>510,182</u>
Total governmental activities long-term debt	<u>\$ 3,295,000</u>	<u>\$ 1,105,680</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Plant Improvements, 2001 Issue	\$ 1,890,000	\$ 280,860
Total Water Utility	<u>1,890,000</u>	<u>280,860</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Plant Improvements, 1996 Issue	990,000	366,505
SRF Funding for Utility Construction, 1999A Issue	4,641,728	219,687
SRF Funding for Utility Construction, 1999B Issue	422,907	43,764
SRF Funding for Utility Construction, 2000 Issue	1,120,707	115,975
Wastewater Plant Improvements, 2004	<u>1,345,000</u>	<u>113,231</u>
Total Wastewater Utility	<u>8,520,342</u>	<u>859,162</u>
Total business-type activities long-term debt	<u>\$ 10,410,342</u>	<u>\$ 1,140,022</u>

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS

PAYROLL FUND

Currently, the only payroll fund reflected in the Town's financial ledger is the Payroll II Fund which only accounts for the interest earned on the payroll checking/sweep bank account. The actual payroll activity is not accounted for in the Town's financial ledger or Annual Report and a book balance to bank balance reconciliation is not performed for the payroll bank account. As a result, there is approximately \$102,090 of unidentified cash included in the payroll bank account that is not reported in the Town's financial ledger.

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

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

EXPENDITURES OF UTILITY FUNDS

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

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARDS

Purchases made with credit cards were not supported by documentation, if any at all. Sales tax was paid on two different occasions. Finance charges and late fees were also paid.

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

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

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS

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

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

DEPOSITS (Applies to the Park Department)

Receipts remitted from the Park Department to the Clerk-Treasurer were not remitted timely. Delays ranged from 10 days to 81 days. In the case of the 81 day delay, receipts collected in mid-October 2007 were not remitted to the Clerk-Treasurer until January 2, 2008. The Clerk-Treasurer receipted and deposited the remittance by the next business day. The remittance had accumulated to \$799 before deposit.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

REDEVELOPMENT COMMISSION EXPENSES

The Town reimbursed the Redevelopment Commission Director a total of \$9,336 for claimed expenses. All 2007 paid vouchers were reviewed and multiple issues were found. The vouchers were not signed by the President or Vice President and the Secretary or Executive Secretary. The Director was reimbursed \$2,569 for expenses without supporting itemization, \$575 for mileage expenses without the prescribed form or other supporting itemization provided, and \$303 for alcohol expenses. The Town's travel policy states alcohol purchases are not to be reimbursed.

Indiana Code 36-7-14-29(a) states that "all payments from any of the funds established by this chapter shall be made by warrants drawn by the proper officers of the unit upon vouchers of the redevelopment commission signed by the president or vice president and the secretary or executive secretary." Indiana Code 36-7-14-11 (4) states in part: "The redevelopment commission shall cooperate with the departments and agencies of the unit and other governmental entities."

TOWN OF SPEEDWAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

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

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

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

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SPEEDWAY
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2008, with Sharon L. Zishka, Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 13 and 14.

CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE

SPEEDWAY, INDIANA 46224-6499

TELEPHONE: 317 / 246-4111

FAX: 317 / 240-1322

TOWN COUNCIL

EILEEN FISHER
JEFF S. HARTMAN
LU HILLMER
GARY L. RAIKES
WILLIAM SUFFEL

TOWN CLERK-TREASURER

SHARON L. ZISHKA

TOWN MANAGER

BARBARA A. LAWRENCE

September 25, 2007

State Board of Accounts

Re: Official Response to 2007 Examination

To Whom It May Concern:

In response to the Town of Speedway Examination Results and Comments, I offer the following contingent upon Council approval where needed:

Payroll Fund:

Based on a prior audit recommendation, the Town of Speedway purchased new payroll software in 2002 and initiated use on January 1, 2003. As part of this new system, a new bank account was opened for use by both the accounting system and the payroll software. As this software package was not part of the financial software I worked with state board of accounts auditors and the payroll software vendor on reconciling the monthly statement. This process has been examined by various auditors since without comment or problem.

Expenditures of Utility Funds:

These expenditures were at the direction of the Town Council.

Credit Cards:

These expenditures were prepared as outlined by the adopted ordinance. However these recommendations will be shared with legal counsel for review and the necessary changes will be made to the existing ordinance.

Deposits (Applies to the Park Department):

Every effort will be made to comply with deposits being made as discussed during the exit interview.

Redevelopment Commission Expenses:

As noted in our summary conference, we will make every effort to comply with all of the examination results and comments as related to Commission expenses and the process for voucher approval. With your review, we now have a better idea as to the specific requirements.

In 2005, as a newly-created entity, the Speedway Redevelopment Commission developed and implemented a process by which expense claims were submitted, reviewed, approved and paid to be consistent with State guidelines. As time has passed, the Commission has modified its practices to better conform to those guidelines and address perceived shortcomings in current practices.

The Commission has made changes to the expense reimbursement process as needed and required to be consistent with sound financial practices and state guidelines. For instance, it was determined that mileage reimbursement request would require the submission of expenses on a prescribed form. Also, we have changed our submittal information to provide itemized receipts rather than receipt total, and have revised the Commission's voucher approval process to provide for full compliance in this area. This is further substantiated as the Redevelopment Commission appointed an Executive Secretary during its' September 15th meeting.

With regard to expenditures for alcohol, we have received conflicting information. In late 2007, based on a request made by our attorney to the state board of accounts, we were advised that Redevelopment Commissions could reimburse alcohol expenses as related to economic development. However, later information based on a media inquiry suggested that such expenditures were not allowable. Based on our desire to conform to the state board of account standards and guidelines, the Commission will no longer reimburse alcohol related expenses.

As noted in the review conference, we will make every effort to fully comply with all State and Town requirements in reference to the operation and financial aspect of the Commission.

If you should need any additional information, please advise.



SHARON L. ZISHKA
CLERK-TREASURER
TOWN OF SPEEDWAY