

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, 2014 to December 31, 2014



FILED
02/24/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Monty Combs	11-01-13 to 12-31-15
President of the Town Council	Gary Raikes David Lindsey	01-01-14 to 12-31-14 01-01-15 to 12-31-15
Superintendent of Water Utility	Stephen Hurst	01-01-14 to 12-31-15
Superintendent of Wastewater Utility	Norman Berry	01-01-14 to 12-31-15



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, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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, 2014.

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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2015, 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.


Paul D. Joyce, CPA
State Examiner

November 12, 2015



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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, 2014, and the related notes to the financial statement, and have issued our report thereon dated November 12, 2015, 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 2014-001 and 2014-002 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 2014-001 and 2014-002.

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

November 12, 2015

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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, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL FUND	\$ 3,624,901	\$ 8,685,965	\$ 8,531,860	\$ 3,779,006
MOTOR VEHICLE HIGHWAY	1,623,632	738,635	759,003	1,603,264
LOCAL ROAD & STREET	537,421	144,183	30,290	651,314
REC NONREVERTING	62,380	1,250	-	63,630
2013 STREET IMPROVEMENT	(152,716)	796	1,115,276	(1,267,196)
LAW ENF CONT EDUCATION	35,156	60,485	24,351	71,290
PARKS & RECREATION	(3,028)	172,775	212,773	(43,026)
RAINY DAY	741,332	-	-	741,332
LEVY EXCESS FUND	17,031	-	-	17,031
CUM CAP DEVELOPMENT	321,568	386,966	526,993	181,541
SRC/Operating Fund	125,219	1,124,175	777,565	471,829
Redevelopment Fund	3,265,725	1,680,342	4,656,272	289,795
POLICE PENSION	182,060	166,565	245,742	102,883
FIRE PENSION	368,658	758,508	690,880	436,286
Fire Grant/State Grants	-	5,000	-	5,000
STREET IMPROV B & I	-	-	12,015	(12,015)
FLEXIBLE SPENDING	22,389	-	22,389	-
PUB SAFETY COIT	281,844	921,303	974,325	228,822
POLICE GRANT	-	19,329	-	19,329
CRIMINAL INVEST CHECKING	26,155	10,246	21,094	15,307
CRIMINAL INVEST SAVINGS	152,414	122,482	42,549	232,347
CRIMINAL INVEST FEDERAL	28,799	8,809	12,656	24,952
EXTRA CURRICULAR	29,337	44,487	36,073	37,751
MOTORCYCLE	49,894	51,908	45,230	56,572
DARE	8,294	9,623	9,656	8,261
CANINE	5,335	4,682	5,175	4,842
CITIZENS ACADEMY FUND	238	-	-	238
HAZARDOUS MATERIALS	512	-	-	512
2011 G.O. BOND	75,139	9	83,112	(7,964)
G.O. DEBT SERVICE	144,536	441,882	354,412	232,006
2009 SRA TRUST/AGENT ACCT	1,266,673	2,295,621	2,188,128	1,374,166
2010 SRA TRUST/AGENT ACCT	1,778,881	2,116,390	2,184,247	1,711,024
PARK BOND CASH	5	3	-	8
PARK BOND DEBT SERVICE	62,454	190,940	167,494	85,900
UTILITY ESCROW	405,095	8,755,498	7,989,926	1,170,667
PAYROLL FUND	240,518	12,103,906	12,115,838	228,586
STORMWATER MANAGEMENT	260,024	140,397	35,094	365,327
SEWER OPERATING	1,567,076	5,547,432	3,574,312	3,540,196
SEWER DEPRECIATION	207,369	1,151,911	985,974	373,306
SEWER BOND & INTEREST	540,588	-	1,686,036	(1,145,448)
SEWER CONSTRUCTION	22,530	-	-	22,530
SEWER PILOT CASH RESERVE	-	275,460	-	275,460
SEWER PLANT IMPROVEMENT	783,969	-	115,967	668,002
SEWER DEBT SERV RESERVE	6,137	-	236,304	(230,167)
ENVIR LIAB INS FUND	413,321	-	-	413,321
SRF-SW BONY B&I	713,503	622,132	952,174	383,461
SRF-SW BONY DSR	1,499,688	258,345	-	1,758,033
SRF-SW BONY-CONST BOND	-	-	-	-
SW TRASH FEES	291,762	250,569	288,854	253,477
SW RECYCLING FEES	11,040	80,972	94,832	(2,820)
SW/2013 BOND	(124,972)	-	34,955	(159,927)
SEWER BAN TO BOND	17,775	-	-	17,775
WATER UTILITY OPERATING	1,091,861	3,300,939	3,085,207	1,307,593
WATER DEPRECIATION	177,136	198,816	376,045	(93)
WATER BOND & INTEREST	(31,042)	-	403,648	(434,690)
WATER PILOT CASH RESERVE	-	99,384	-	99,384
WATER DEBT SERV RESERVE	133,121	198,228	19,344	312,005
SRF-WW BONY B&I	63,484	105,624	105,594	63,514
SRF-WW BONY DSR	327,460	21,103	-	348,563
SRF-WW BONY CONST	2,154,651	160,086	1,382,142	932,595
Speedway Redevelopment & Praxair Surface Tech	375,290	112	500	374,902
Totals	<u>\$ 25,829,622</u>	<u>\$ 53,434,273</u>	<u>\$ 57,212,306</u>	<u>\$ 22,051,589</u>

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

TOWN OF SPEEDWAY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 a cost-sharing 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
One North Capitol, 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
One North Capitol, 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 numerous posting errors that have occurred over the years. .

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial 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 Financial 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 other 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, 2014

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	REC NONREVERTING	2013 STREET IMPROVEMENT	LAW ENF CONT EDUCATION	PARKS & RECREATION
Cash and investments - beginning	\$ 3,624,901	\$ 1,623,632	\$ 537,421	\$ 62,380	\$ (152,716)	\$ 35,156	\$ (3,028)
Receipts:							
Taxes	4,926,505	-	-	-	-	-	57,788
Licenses and permits	494,735	-	-	-	-	6,680	-
Intergovernmental	2,224,947	603,337	131,768	-	-	-	4,087
Charges for services	93,598	-	-	-	-	-	58,761
Fines and forfeits	121,298	15,312	-	-	-	8,862	-
Utility fees	-	-	-	-	-	-	-
Other receipts	824,882	119,986	12,415	1,250	796	44,943	52,139
Total receipts	8,685,965	738,635	144,183	1,250	796	60,485	172,775
Disbursements:							
Personal services	7,255,375	468,204	-	-	-	-	112,687
Supplies	269,162	71,719	-	-	-	3,646	18,268
Other services and charges	991,768	163,005	30,290	-	1,115,276	20,163	55,431
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	542	2,456
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	15,555	56,075	-	-	-	-	23,931
Total disbursements	8,531,860	759,003	30,290	-	1,115,276	24,351	212,773
Excess (deficiency) of receipts over disbursements	154,105	(20,368)	113,893	1,250	(1,114,480)	36,134	(39,998)
Cash and investments - ending	<u>\$ 3,779,006</u>	<u>\$ 1,603,264</u>	<u>\$ 651,314</u>	<u>\$ 63,630</u>	<u>\$ (1,267,196)</u>	<u>\$ 71,290</u>	<u>\$ (43,026)</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	RAINY DAY	LEVY EXCESS FUND	CUM CAP DEVELOPMENT	SRC/Operating Fund	Redevelopment Fund	POLICE PENSION	FIRE PENSION
Cash and investments - beginning	\$ 741,332	\$ 17,031	\$ 321,568	\$ 125,219	\$ 3,265,725	\$ 182,060	\$ 368,658
Receipts:							
Taxes	-	-	175,944	-	1,271,237	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	12,406	-	-	-	-
Charges for services	-	-	-	23,737	14,462	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	198,616	1,100,438	394,643	166,565	758,508
Total receipts	-	-	386,966	1,124,175	1,680,342	166,565	758,508
Disbursements:							
Personal services	-	-	-	-	71,640	-	-
Supplies	-	-	119,960	-	5,603	-	-
Other services and charges	-	-	163,394	-	478,420	245,742	690,880
Debt service - principal and interest	-	-	-	-	1,498,362	-	-
Capital outlay	-	-	243,205	-	231,116	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	434	777,565	2,371,131	-	-
Total disbursements	-	-	526,993	777,565	4,656,272	245,742	690,880
Excess (deficiency) of receipts over disbursements	-	-	(140,027)	346,610	(2,975,930)	(79,177)	67,628
Cash and investments - ending	\$ 741,332	\$ 17,031	\$ 181,541	\$ 471,829	\$ 289,795	\$ 102,883	\$ 436,286

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Fire Grant/State Grants	STREET IMPROV B & I	FLEXIBLE SPENDING	PUB SAFETY COIT	POLICE GRANT	CRIMINAL INVEST CHECKING	CRIMINAL INVEST SAVINGS
Cash and investments - beginning	\$ -	\$ -	\$ 22,389	\$ 281,844	\$ -	\$ 26,155	\$ 152,414
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,000	-	-	921,303	19,329	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	10,246	122,482
Total receipts	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>921,303</u>	<u>19,329</u>	<u>10,246</u>	<u>122,482</u>
Disbursements:							
Personal services	-	-	-	974,325	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	12,015	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	22,389	-	-	21,094	42,549
Total disbursements	<u>-</u>	<u>12,015</u>	<u>22,389</u>	<u>974,325</u>	<u>-</u>	<u>21,094</u>	<u>42,549</u>
Excess (deficiency) of receipts over disbursements	<u>5,000</u>	<u>(12,015)</u>	<u>(22,389)</u>	<u>(53,022)</u>	<u>19,329</u>	<u>(10,848)</u>	<u>79,933</u>
Cash and investments - ending	<u>\$ 5,000</u>	<u>\$ (12,015)</u>	<u>\$ -</u>	<u>\$ 228,822</u>	<u>\$ 19,329</u>	<u>\$ 15,307</u>	<u>\$ 232,347</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	CRIMINAL INVEST FEDERAL	EXTRA CURRICULAR	MOTORCYCLE	DARE	CANINE	CITIZENS ACADEMY FUND	HAZARDOUS MATERIALS
Cash and investments - beginning	\$ 28,799	\$ 29,337	\$ 49,894	\$ 8,294	\$ 5,335	\$ 238	\$ 512
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,809	44,487	51,908	9,623	4,682	-	-
Total receipts	<u>8,809</u>	<u>44,487</u>	<u>51,908</u>	<u>9,623</u>	<u>4,682</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	7,539	-	-	-	-	-
Other services and charges	1	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	12,655	28,534	45,230	9,656	5,175	-	-
Total disbursements	<u>12,656</u>	<u>36,073</u>	<u>45,230</u>	<u>9,656</u>	<u>5,175</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,847)</u>	<u>8,414</u>	<u>6,678</u>	<u>(33)</u>	<u>(493)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 24,952</u>	<u>\$ 37,751</u>	<u>\$ 56,572</u>	<u>\$ 8,261</u>	<u>\$ 4,842</u>	<u>\$ 238</u>	<u>\$ 512</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	2011 G.O. BOND	G.O. DEBT SERVICE	2009 SRA TRUST/AGENT ACCT	2010 SRA TRUST/AGENT ACCT	PARK BOND CASH	PARK BOND DEBT SERVICE	UTILITY ESCROW
Cash and investments - beginning	\$ 75,139	\$ 144,536	\$ 1,266,673	\$ 1,778,881	\$ 5	\$ 62,454	\$ 405,095
Receipts:							
Taxes	-	414,320	-	-	-	179,040	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	27,562	-	-	-	11,900	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9	-	2,295,621	2,116,390	3	-	8,755,498
Total receipts	<u>9</u>	<u>441,882</u>	<u>2,295,621</u>	<u>2,116,390</u>	<u>3</u>	<u>190,940</u>	<u>8,755,498</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	343,169	-	-	-	167,494	-
Capital outlay	83,112	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	11,243	2,188,128	2,184,247	-	-	7,989,926
Total disbursements	<u>83,112</u>	<u>354,412</u>	<u>2,188,128</u>	<u>2,184,247</u>	<u>-</u>	<u>167,494</u>	<u>7,989,926</u>
Excess (deficiency) of receipts over disbursements	<u>(83,103)</u>	<u>87,470</u>	<u>107,493</u>	<u>(67,857)</u>	<u>3</u>	<u>23,446</u>	<u>765,572</u>
Cash and investments - ending	<u>\$ (7,964)</u>	<u>\$ 232,006</u>	<u>\$ 1,374,166</u>	<u>\$ 1,711,024</u>	<u>\$ 8</u>	<u>\$ 85,900</u>	<u>\$ 1,170,667</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	PAYROLL FUND	STORMWATER MANAGEMENT	SEWER OPERATING	SEWER DEPRECIATION	SEWER BOND & INTEREST	SEWER CONSTRUCTION	SEWER PILOT CASH RESERVE
Cash and investments - beginning	\$ 240,518	\$ 260,024	\$ 1,567,076	\$ 207,369	\$ 540,588	\$ 22,530	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	139,947	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	450	5,234,852	-	-	-	-
Other receipts	12,103,906	-	312,580	1,151,911	-	-	275,460
Total receipts	<u>12,103,906</u>	<u>140,397</u>	<u>5,547,432</u>	<u>1,151,911</u>	<u>-</u>	<u>-</u>	<u>275,460</u>
Disbursements:							
Personal services	10,525,825	-	1,633,397	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	76,310	-	-	-	-
Debt service - principal and interest	-	-	-	-	1,099,537	-	-
Capital outlay	-	2,083	-	770,393	-	-	-
Utility operating expenses	-	26,159	955,477	47,373	-	-	-
Other disbursements	1,590,013	6,852	909,128	168,208	586,499	-	-
Total disbursements	<u>12,115,838</u>	<u>35,094</u>	<u>3,574,312</u>	<u>985,974</u>	<u>1,686,036</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	(11,932)	105,303	1,973,120	165,937	(1,686,036)	-	275,460
Cash and investments - ending	<u>\$ 228,586</u>	<u>\$ 365,327</u>	<u>\$ 3,540,196</u>	<u>\$ 373,306</u>	<u>\$ (1,145,448)</u>	<u>\$ 22,530</u>	<u>\$ 275,460</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	SEWER PLANT IMPROVEMENT	SEWER DEBT SERV RESERVE	ENVIR LIAB INS FUND	SRF-SW BONY B&I	SRF-SW BONY DSR	SRF-SW BONY-CONST BOND	SW TRASH FEES
Cash and investments - beginning	\$ 783,969	\$ 6,137	\$ 413,321	\$ 713,503	\$ 1,499,688	\$ -	\$ 291,762
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	250,569
Other receipts	-	-	-	622,132	258,345	-	-
Total receipts	-	-	-	622,132	258,345	-	250,569
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	115,967	236,304	-	952,174	-	-	288,854
Total disbursements	115,967	236,304	-	952,174	-	-	288,854
Excess (deficiency) of receipts over disbursements	(115,967)	(236,304)	-	(330,042)	258,345	-	(38,285)
Cash and investments - ending	\$ 668,002	\$ (230,167)	\$ 413,321	\$ 383,461	\$ 1,758,033	\$ -	\$ 253,477

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	SW RECYCLING FEES	SW/2013 BOND	SEWER BAN TO BOND	WATER UTILITY OPERATING	WATER DEPRECIATION	WATER BOND & INTEREST	WATER PILOT CASH RESERVE
Cash and investments - beginning	\$ 11,040	\$ (124,972)	\$ 17,775	\$ 1,091,861	\$ 177,136	\$ (31,042)	\$ -
Receipts:							
Taxes	-	-	-	51,833	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	80,972	-	-	1,900,575	-	-	-
Other receipts	-	-	-	1,348,531	198,816	-	99,384
Total receipts	<u>80,972</u>	<u>-</u>	<u>-</u>	<u>3,300,939</u>	<u>198,816</u>	<u>-</u>	<u>99,384</u>
Disbursements:							
Personal services	-	-	-	1,064,872	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	76,310	-	-	-
Debt service - principal and interest	-	-	-	-	-	295,530	-
Capital outlay	-	34,955	-	-	-	-	-
Utility operating expenses	-	-	-	1,715,192	-	-	-
Other disbursements	94,832	-	-	228,833	376,045	108,118	-
Total disbursements	<u>94,832</u>	<u>34,955</u>	<u>-</u>	<u>3,085,207</u>	<u>376,045</u>	<u>403,648</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(13,860)</u>	<u>(34,955)</u>	<u>-</u>	<u>215,732</u>	<u>(177,229)</u>	<u>(403,648)</u>	<u>99,384</u>
Cash and investments - ending	<u>\$ (2,820)</u>	<u>\$ (159,927)</u>	<u>\$ 17,775</u>	<u>\$ 1,307,593</u>	<u>\$ (93)</u>	<u>\$ (434,690)</u>	<u>\$ 99,384</u>

TOWN OF SPEEDWAY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	WATER DEBT SERV RESERVE	SRF-WW BONY B&I	SRF-WW BONY DSR	SRF-WW BONY CONST	SPEEDWAY REDEVELOPMENT & PRAXAIR SURFACE TECH	Totals
Cash and investments - beginning	\$ 133,121	\$ 63,484	\$ 327,460	\$ 2,154,651	\$ 375,290	\$ 25,829,622
Receipts:						
Taxes	-	-	-	-	-	7,076,667
Licenses and permits	-	-	-	-	-	501,415
Intergovernmental	-	-	-	-	-	4,101,586
Charges for services	-	-	-	-	-	190,558
Fines and forfeits	-	-	-	-	-	145,472
Utility fees	-	-	-	-	-	7,467,418
Other receipts	198,228	105,624	21,103	160,086	112	33,951,157
Total receipts	<u>198,228</u>	<u>105,624</u>	<u>21,103</u>	<u>160,086</u>	<u>112</u>	<u>53,434,273</u>
Disbursements:						
Personal services	-	-	-	-	-	22,106,325
Supplies	-	-	-	-	-	495,897
Other services and charges	-	-	-	-	-	4,106,990
Debt service - principal and interest	-	-	-	-	-	3,416,107
Capital outlay	-	-	-	-	-	1,367,862
Utility operating expenses	-	-	-	-	-	2,744,201
Other disbursements	19,344	105,594	-	1,382,142	500	22,974,924
Total disbursements	<u>19,344</u>	<u>105,594</u>	<u>-</u>	<u>1,382,142</u>	<u>500</u>	<u>57,212,306</u>
Excess (deficiency) of receipts over disbursements	<u>178,884</u>	<u>30</u>	<u>21,103</u>	<u>(1,222,056)</u>	<u>(388)</u>	<u>(3,778,033)</u>
Cash and investments - ending	<u>\$ 312,005</u>	<u>\$ 63,514</u>	<u>\$ 348,563</u>	<u>\$ 932,595</u>	<u>\$ 374,902</u>	<u>\$ 22,051,589</u>

TOWN OF SPEEDWAY
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Oshkosh Capital	Fire Truck for Department	\$ 105,859	4/25/2013	4/25/2020
Oshkosh Capital	2014 Pierce Saber Pumper	<u>70,059</u>	5/9/2014	1/9/2021
Total governmental activities		<u>175,918</u>		
Total of annual lease payments		<u>\$ 175,918</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
General obligation bonds	General Obligation Bonds Series 2011	\$ 570,000	\$ 190,663	
General obligation bonds	General Obligations Bonds Series 2005	230,000	158,445	
General obligation bonds	Park District Bonds Series 2008	1,530,000	168,219	
General obligation bonds	2013 Street Improvements Bond	1,450,000	166,222	
General obligation bonds	Redevelopment Commission - Lease Rental Revenue Bonds of 2009 A-1	12,175,000	915,000	
General obligation bonds	Redevelopment Commission - Lease Rental Revenue Bonds of 2009 A-2	1,340,000	127,575	
General obligation bonds	Redevelopment Commission - Lease Rental Revenue Bonds of 2010	19,330,000	1,778,610	
General obligation bonds	Redevelopment Commission - Economic Development Revenue Bond Anticipation Note of 2011	6,230,000	6,401,325	
General obligation bonds	Redevelopment Commission - Redevelopment District Bonds Series 2013	<u>2,210,000</u>	<u>175,165</u>	
Total governmental activities		<u>45,065,000</u>	<u>10,081,224</u>	
Wastewater:				
Revenue bonds	2013 Sewage Works Refunding Revenue Bonds	3,435,000	723,456	
Revenue bonds	2013 Sewage Works Revenue Bonds	4,220,000	320,450	
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.	915,000	116,032	
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.	4,377,121	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>13,228,000</u>	<u>633,714</u>	
Total Wastewater		<u>26,175,121</u>	<u>2,161,902</u>	
Water:				
Revenue bonds	Waterworks Revenue Bonds Series 2001	555,000	289,320	
Revenue bonds	Waterworks Revenue Bonds Series 2011	558,000	21,884	
Revenue bonds	Waterworks Revenue Bonds Series 2012	<u>5,299,000</u>	<u>83,709</u>	
Total Water		<u>6,412,000</u>	<u>394,913</u>	
Totals		<u>\$ 77,652,121</u>	<u>\$ 12,638,039</u>	

TOWN OF SPEEDWAY
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 698,695
Infrastructure	69,268
Buildings	4,000,000
Improvements other than buildings	2,643,000
Machinery, equipment, and vehicles	4,369,300
Total governmental activities	11,780,263
Wastewater:	
Land	\$ 300,000
Infrastructure	16,506,252
Buildings	3,204,417
Improvements other than buildings	5,390,198
Machinery, equipment, and vehicles	19,144,797
Total Wastewater	44,545,664
Water:	
Land	\$ 13,047
Infrastructure	4,125,042
Buildings	790,819
Improvements other than buildings	2,635,579
Machinery, equipment, and vehicles	979,344
Total Water	8,543,832
Total capital assets	\$ 64,869,758

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, 2014. 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 A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Basis for Qualified Opinion on the CDBG - State-Administered CDBG Cluster

As described in item 2014-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Town with the CDBG - State-Administered CDBG Cluster regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Consequently, we were unable to determine whether the Town complied with these requirements applicable to the program.

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

Qualified Opinion on the CDBG - State-Administered CDBG Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the Town's compliance with the requirements of the CDBG - State-Administered CDBG Cluster regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles, described in the *Basis for Qualified Opinion* paragraph the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the CDBG - State-Administered CDBG Cluster for the year ended December 31, 2014.

Unmodified Opinion on the Other 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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2014.

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 items 2014-003 and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal

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

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 items 2014-003, 2014-004, 2014-005, and 2014-006 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

November 12, 2015

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 June 30, 2014

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	DR2-09-100X	\$ 641,744
<u>Department of Transportation</u>				
Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I	Indianapolis Department of Public Safety	20.601	D3-14-8137	14,911
Total - for Cluster				14,911
National Priority Safety Programs	Indianapolis Department of Public Safety	20.616	D3-14-8255	9,186
Total - National Priority Safety Programs				9,186
Total - Department of Transportation				24,097
<u>Environmental Protection Agency</u>				
Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW09154905	134,166
Total - Capitalization Grants for Clean Water State Revolving Funds				134,166
Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds	Indiana Finance Authority	66.468	DW11074901	493,227
Total - Capitalization Grants for Drinking Water State Revolving Funds				493,227
Total - Environmental Protection Agency				627,393
Total federal awards expended				\$ 1,293,234

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?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for CDBG-State Administered CDBG Cluster/Unmodified for Drinking Water State Revolving Fund Cluster
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:

_____ Name of Federal Program or Cluster _____
CDBG-State-Administered CDBG Cluster
Drinking Water State Revolving Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2014-001 - 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.

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

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: Two grants from the Environmental Protection Agency were omitted from the SEFA. The first was in the amount of \$134,166 and the second in the amount of \$493,227. Two grants from the Department of Transportation were omitted from the SEFA. The first was in the amount of \$14,911 and the second in the amount of \$9,186. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

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)

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.

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

- (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."

FINDING 2014-002 - 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.

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to receipts and cash and investment balances.

All of the Clerk-Treasurer's Office employees had the ability to open mail, collect money, write receipts, and prepare deposit slips for both the Town and Utility collections.

Bank reconciliements were not prepared for all accounts.

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

The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

2. Report Preparation: The Town has not established effective controls to allow for proper reporting of the Town's receipts, disbursements, and cash and investment balances. The financial statement was compiled by a consultant from information entered into the Town's accounting system. The consultant entered the annual financial report information into the Annual Financial Report within the Gateway System, and the Clerk-Treasurer reviewed this information and submitted it. The financial statement presented for audit included the following errors and omissions:

The balance and transactions of the SRC/Operating Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions resulted in cash being overstated by \$598,886.

The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions resulted in cash being understated by \$1,117,517.

The SRF - BONY funds were incorrectly reported in the financial statement. Substantially all activity that occurred for these funds was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was overstated by \$2,995,319 for SRF-BONY funds.

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

The Payroll funds were incorrectly reported in the financial statement. Substantially all activity that occurred for these funds was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was overstated by \$6,703,473 for Payroll funds.

The 2009 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred for this fund was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was understated by \$107,493 for the 2009 SRA Trust/Agent Acct fund.

The 2010 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred for this fund was not recorded in the Town's ledger or reported on the financial statement. Thus, cash was overstated by \$67,857 for the 2010 SRA Trust/Agent Acct fund.

The Town did not have internal controls in place to ensure that accurate monthly reconciliations of the bank accounts to the records were prepared and reviewed. A financial consultant was hired by the Town in 2014 to reconcile the records to the bank statements. The consultant completed the December 2014 reconciliation for the General Operating account, Water Operating account, Wastewater Operating account and the Utility Escrow account in June 2015. Bank reconciliations were not prepared for Redevelopment or SRF-BONY accounts during 2014. The lack of timely and 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.

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."

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 DAVIS-BACON ACT

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): 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 the Davis-Bacon Act compliance requirements. The construction contracts did not contain the prevailing wage clause. In addition, certified payroll records were not submitted to the Town as required by the Davis-Bacon Act.

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.

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 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.

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."

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses(or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor): . . .

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

(3) *Payrolls and basic records.*

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project. . . .

(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). . . .

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town implement proper procedures to ensure all contracts include the prevailing wage clause and that weekly payroll is properly monitored.

FINDING 2014-004 - ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR2-09-100X, 2014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The Town did not have available supporting documentation on the Community Development Block Grant drawdowns. As a result, we were unable to determine whether or not the Town used the grant for Allowable Activities or Allowable Costs.

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.

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

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 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.

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."

24 CFR 85.20 (b) states in part:

"(6) Source document. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

24 CFR 85.42 states in part:

"(b)(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements 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 compliance requirements listed above.

FINDING 2014-005 - CASH MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR2-09-100X, 2014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirements.

The Town has not designed or implemented policies and procedures to adequately segregate duties surrounding grant expenditures and submission of timely and accurate grants reimbursement requests.

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

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.

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 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.

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 enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements 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 compliance requirements listed above.

FINDING 2014-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR2-09-100X, 2014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The Town did not maintain a complete inventory of construction in progress or infrastructure assets for the sewer separation project. A physical inventory has not been taken in the last three years.

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.

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

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 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.

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."

24 CFR 85.32 states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. "

Noncompliance of the grant agreement or the compliance requirements 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 compliance requirements listed above. We also recommended that the Town record their capital assets on the prescribed Capital Assets Ledger (City and Town Form 211) in the appropriate classifications.

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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
DAVID LINDSEY, President
EILEEN FISHER
GARY L. RAIKES
WILLIAM SUFFEL
JEFF MATTHEWS

TELEPHONE: 317/ 246-4111
FAX: 317/ 246-4101

TOWN CLERK TREASURER
MONTY W. COMBS

TOWN MANAGER
Ian Nicolini

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

July 24, 2015

FINDING 2013-003

Original Assigned SBA Audit Report Number: B44681
Report Period: 2013
Pass-Through Entity: Indiana Finance Authority
Monty W. Combs, Clerk-Treasurer
317 246-4111

Status of Audit Finding: Corrected in 2014 with one additional review and initialed by a Deputy Clerk Treasurer all SRF reimbursement forms prior to mailing to the Indiana Finance Authority.

FINDING 2013-004

Original Assigned SBA Audit Report Number: B44681
Report Period: 2013
Pass-Through Entity: Indiana Department of Transportation
Monty W. Combs, Clerk-Treasurer
317 246-4111

Status of Audit Finding: Legislation was passed in the 2014 General Assembly stating that in our case the Clerk-Treasurer of Speedway is the Financial Officer for the Speedway Redevelopment Commission (SRC). All Financial deposits, payments, reports, and records are managed by the Clerk-Treasurer. In 2013 the financials were handled by the Executive Director of the SRC. We have created Internal Controls to be compliant moving forward.

FINDING 2013-005

Original Assigned SBA Audit Report Number: B44681

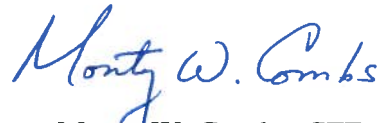
Report Period: 2013

Pass-Through Entity: Indiana Department of Transportation

Monty W. Combs, Clerk-Treasurer

317 246-4111

Status of Audit Finding: Legislation was passed in the 2014 General Assembly stating that in our case the Clerk-Treasurer of Speedway is the Financial Officer for the Speedway Redevelopment Commission (SRC). All Financial deposits, payments, reports, and records are managed by the Clerk-Treasurer. In 2013 the financials were handled by the Executive Director of the SRC. We in the Clerk-Treasurer's office have created Internal Controls to be compliant moving forward.



Monty W. Combs, CFE
Clerk-Treasurer





CIVIL TOWN OF SPEEDWAY

1450 NORTH LYNHURST DRIVE
SPEEDWAY, INDIANA 46224-6499

TOWN COUNCIL
DAVID LINDSEY, President
EILEEN FISHER
GARY L. RAIKES
WILLIAM SUFFEL
JEFF MATTHEWS

TELEPHONE: 317/ 246-4111
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TOWN CLERK TREASURER
MONTY W. COMBS

TOWN MANAGER
Ian Nicolini

November 9, 2015

CORRECTIVE ACTION PLAN

Section II

2014 -001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

2014 - 002 - 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.

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to receipts and cash and investment balances.

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 the Town and Utility collections.

Response: The above issues were corrected in early 2014, with multiple changes, to correct the internal control issues from previous years.

Bank reconcilements were not prepared for all accounts.

Response: This issue had been a problem for a number of years, and the Town hired a consultant to correct the reconciliations. In May 2014 this was completed, but was later found to be incorrect. This has sense been corrected and are being completed timely.

The same individual was responsible for receiving monies, writing receipts, preparing 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.

2. Report Preparation: The Town has not established effective controls to allow for proper reporting of the Town's receipts, disbursements, and cash and investment balances. The financial statement was compiled by a consultant from information entered into the Town's accounting system. The consultant entered the annual financial report information into the Annual Financial Report within the Gateway System, and the Clerk-Treasurer reviewed this information and submitted it. The financial statement presented for audit included the following errors and omissions:

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

The balance and transactions of the SRC/Operating Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions reflected cash to be over stated in the original report by \$598,886.

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

The balance and transactions of the Redevelopment Fund were incorrectly reported in the financial statement. Transactions for the first half of the year were not accounted for in the financial statement, and transactions noted for the second half of the year contained posting errors. These errors and omissions reflected cash to be understated by \$1,117,517.

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

The SRF - BONY Funds were incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus, cash was overstated by \$2,995,319 for SRF-BONY Funds.

Response: This is a correct statement and a process is in place to correct the concern.

The Payroll funds were incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus cash was overstated by \$6,703,473 for Payroll funds.

Response: This is a correct statement and has been corrected. The Clerk-Treasurer felt that the posting of payroll in a second section of our financials would result in double posting the Payroll. After multiple meetings with the SBOA, we have changed the process.

The 2009 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus cash was understated by \$107,493 for the 2009 SRA Trust/Agent Acct fund.

The 2010 SRA Trust/Agent Acct fund was incorrectly reported in the financial statement. Substantially all activity that occurred in the bank statements were not always recorded in the Town's ledger. Thus cash was overstated by \$67,857 for the 2010 SRA Trust/Agent Acct fund.

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

The Town did not have internal controls in place to ensure that accurate monthly reconciliations of the bank accounts to the records are prepared and reviewed. A financial consultant was hired by the Town in 2014 to reconcile the records to the bank statements. The consultant completed the December 2014 reconciliation for the General Operating account, Water Operating account, Wastewater Operating account and the Utility Escrow account in June 2015. Bank Reconcilements were not prepared for Redevelopment and SRF-BONY accounts during 2014. The lack of timely and accurate bank reconcilements can result in posting errors not being located and corrected.

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

Response: The SBOA is correct in their statement and the delay in correcting the issue was due to errors of the first consultant for the previous Clerk-Treasurer. As of 2015 the reconciliations of Bank Accounts are being completed as required.

Section III

2014-003 DAVIS-BACON ACT

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): 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 the Davis-Bacon Act compliance requirements. The construction contracts did not contain the prevailing wage clause.

In addition, certified payroll records were not submitted to the Town as required by the Davis-Bacon Act.

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.

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 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.

Response: This finding is duly noted for future projects. The current SRF program for Drinking Water is nearly complete.

2014-004 – ACTIVITES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR-209-210 2014

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

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Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The Town did not have available supporting documentation on the Community Development Block Grant drawdowns. The current internal control structure has a number of features present to provide reasonable assurance that the effectiveness of internal controls over time is being appropriately monitored; however, supporting documentation was not maintained for audit.

Response: This finding is duly noted for future projects. The OCRA program mentioned was completed prior to the current Clerk-Treasurer's term. This particular project was managed by the previous Town Manager.

2014-005 – CASH MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR-209-210 2014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirements.

The Town has not designed or implemented policies and procedures to adequately segregate duties surrounding grant expenditures and submission of timely and accurate grants reimbursement requests.

Response: This finding is duly noted for future projects. The OCRA program mentioned was completed prior to the current Clerk-Treasurer's term. This particular project was managed by the previous Town Manager. In 2014 a comprehensive Capital Assets review was completed and will be updated on an annual basis moving forward.

2014-006 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR-209-210 2014
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The Town did not maintain a complete inventory of construction in progress or infrastructure assets for the sewer separation project. A physical inventory has not been taken in the last three years.

Response: This finding is duly noted for future projects. The OCRA program mentioned was completed prior to the current Clerk-Treasurer's term. This particular project was managed by the previous Town Manager. In 2014 a comprehensive Capital Assets review was completed and will be updated on an annual basis moving forward.

Monty W. Combs
Monty W. Combs, CFE
Clerk-Treasurer

Nov. 9, 2015
Date



OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.