

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF MUNCIE
DELAWARE COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/26/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Audrey Jones	01-01-12 to 12-31-13
Mayor	Dennis Tyler	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	John Quirk	01-01-12 to 12-31-13
President of the Common Council	Jerry Dishman	01-01-12 to 12-31-13
President of the Board of Sanitary Commissioners	Tom Bennington Bill Smith	01-01-12 to 12-31-12 01-01-13 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. 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 City'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 City'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 City 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 City for the year ended December 31, 2012.

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 City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 6, 2013, on our consideration of the City'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 City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, 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.

Other Information

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.



Bruce Hartman
State Examiner

August 6, 2013



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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 CITY OF MUNCIE, DELAWARE 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 City of Muncie (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 6, 2013, wherein we noted the City 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 City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and significant deficiencies.

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 item 2012-1 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be significant deficiencies.

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 City'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 item 2012-1.

City of Muncie's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 6, 2013

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FINANCIAL STATEMENT

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

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

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 7,099,160	\$ 23,103,765	\$ 22,116,434	\$ 8,086,491
Motor Vehicle Highway	899,207	3,027,058	2,873,230	1,053,035
Local Road And Street	662,817	926,215	1,034,351	554,681
Parking Meter	116,847	25,450	12,106	130,191
Economic Development Operating	35,119	-	-	35,119
Clerk's Records Perpetuation	61,023	8,889	20,847	49,065
Parks And Recreation	512,587	657,407	923,470	246,524
Rainy Day	538,319	-	-	538,319
Cumulative Capl Imprv Cigarette Tax	99,983	185,883	285,866	-
Center Township Revenue	375,000	200,000	232,467	342,533
Police Pension	2,819,719	2,724,672	3,738,139	1,806,252
Fire Pension	101,535	4,727,385	3,845,418	983,502
Bond Revenue/Tuhey Pool	-	-	91,831	(91,831)
MPD Reserves Grant	1,600	-	-	1,600
Land Bank	40,783	-	-	40,783
CD FY11 CDBG Program	973	516,070	517,043	-
CD FY09 Home program	-	31,153	31,153	-
FY11 Home Program	-	429,703	429,703	-
Victim Advocate 2011-2012	(131)	10,294	10,163	-
Fuel Surcharge	894	-	-	894
MFD Radio and Mobile Unit	41,103	310,439	351,542	-
MPD OPO/BCC 2011-2012	7,450	67,278	74,728	-
MPD DUI 2011-2012	3,369	28,038	31,407	-
MPD JAG grant 2010	32,554	-	23,418	9,136
MPD JAG 2011	2,464	24,638	-	27,102
Historic Preservation	227	200	81	346
Indiana NSP Grant	(378)	382,016	381,739	(101)
NSP 3 HUD Grant	-	439,553	439,553	-
Muncie Endurathon Grant	29,267	-	29,100	167
Park Dept Phase II Spray Pool	75,000	-	-	75,000
MPD Stop Domestic Violence 2011	(11,871)	26,234	14,363	-
Regions Bank Indiana Stamping Bond	-	8,379	8,378	1
MPD SWAT Team	-	4,760	-	4,760
MPD Towing	-	68,959	12,120	56,839
CD FY12 CDBG Program	-	338,122	338,122	-
CD FY07 Home Grant	-	24,255	24,255	-
CD FY12 Home Program	-	106,081	106,081	-
Victim Advocate 2012-2013	-	39,568	14,493	25,075
MPD Victim Advocate 2011-2012	-	83,333	83,333	-
MPD Stop Domestic Violence 2012	-	6,650	7,017	(367)
MPD DDE 2012	-	5,988	5,988	-
MPD JAG 2012	-	17,736	-	17,736
CD Miscellaneous Fund	-	15,087	7,587	7,500
Redevelop TIF Indiana Stamping	-	252	126	126
MPD OPO 2012-2013	-	-	18,336	(18,336)
MPD DUI 2012-2013	-	-	7,274	(7,274)
Cemetery Operating	131,194	310,904	349,304	92,794
Probation	71,998	64,122	96,970	39,150
CD FY10 Home Program	-	192,444	192,444	-
CD FY10 CDBG Program	-	97,871	97,871	-
Park Grant	2,222	13,000	11,427	3,795
MPD Jag 2009	34,669	-	34,669	-
Cops Hiring Recovery	61,770	250,618	312,388	-
Police Donation	4,041	2,500	2,500	4,041
Parks And Recreation #3	84,683	581,798	576,307	90,174
Arborist License	2,057	12,469	2,846	11,680
Park Non-Reverting	11,433	8,910	3,221	17,122
Park Dept - Bert Whitely	10,079	10,043	6,268	13,854
Beech Grove Cum Bldg Maint	(781)	53,524	39,781	12,962
MPD Interdiction	1,490	71	-	1,561
MPD Lebg Safety Vest Grant	2,106	5,903	-	8,009
Drug Task Force Forfeiture	9,623	-	-	9,623

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

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

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
MPD Uniform Forfeiture	300	-	-	300
MPD Dare	6,127	-	-	6,127
MPD K-9 Special Olympics	2,797	-	-	2,797
MPD Traffic Division	42,769	15,450	58,219	-
MPD Arson Investigations	9,840	-	-	9,840
Mpd Police Training	26,985	19,291	19,413	26,863
Law Enforcement Continuing Ed	87,147	62,901	89,538	60,510
Fire Department Donations	27,036	26,484	8,103	45,417
Fire Dept Smoke Alarms	514	-	-	514
Mun-Del Haz-Mat Team	171	-	-	171
Animal Shelter Donation	15,201	18,170	19,542	13,829
Rails To Trails Project	-	14,319	14,319	-
Environmental Enhancement	233,194	242	-	233,436
CD Grants Other (Non-HUD)	93	1,000	1,093	-
Alarm Ordinance	1,953	37	-	1,990
TIF Central City	678,661	348,833	236,230	791,264
Redevelopment Tech Park	237,979	408,765	325,000	321,744
Redevelopment Commission	89,065	140,132	153,809	75,388
Industrial Develop Revolving Loan	352,495	280,779	460,814	172,460
Redevelopment Comm Other Prjs	371,180	193,506	86,273	478,413
Taxable Tax Inc & Economic Income	124	596,075	596,075	124
CD FY08 CDBG Program	-	34,182	34,182	-
CD Unsafe Building Fund	51,756	54,810	24,379	82,187
Park White River Beautification	224	-	-	224
Park Beautification Program	225	-	-	225
Fire Safety & Equipment	532	-	-	532
Drug Task Force Federal Forfeiture	129,460	5,876	61,179	74,157
Community Development/NSP Grant	-	226,341	226,341	-
Adult Probation Services Fees	85,390	28,448	-	113,838
CDBG-R HUD Grant	-	150,587	150,587	-
CD FY09 CDBG Program	(73)	11,334	11,261	-
City Bond General Sinking	(9,349)	44,385	52,381	(17,345)
Redevelopment Comm/Facade	177,308	76,916	170,040	84,184
E.D.I.T.	190,488	1,637,317	847,719	980,086
Urban Development	(20,221)	37,052	16,159	672
Health Ins.	1,151,736	7,920,543	9,018,721	53,558
Beech Grove Thompson Trust	9,767	24	-	9,791
Beech Grove Cemetery Trust	25,647	46	-	25,693
Beech Grove Grace Maring	56,405	109	15,978	40,536
Beech Grove Hardin Rhoads	26,439	50	7,989	18,500
Redevelopment Comm/ Allocation	3,016,540	1,935,099	792,154	4,159,485
Payroll	490,983	27,230,551	27,718,372	3,162
Insurance - Other	696,204	189,516	-	885,720
Beech Grove Pre-Need	144,945	11,023	3,750	152,218
User Fee Law Enforcement Education	43,991	11,859	10,910	44,940
Collection Agency Parking Violation	55	236	118	173
Security Deposit	6,848	8,500	1,548	13,800
TIF Muncie Mall	-	1,934,957	1,934,957	-
Court Cost Due County	-	57,983	57,983	-
City Court	85,733	860,882	852,943	93,672
Cabin Rental Deposits	1,200	19,649	19,517	1,332
Sanitation	2,144,045	6,023,248	5,144,655	3,022,638
Cumulative Building and Sinking	225,082	605,604	700,686	130,000
Reserve Operating and Maintenance	162,046	228,697	-	390,743
Revolving Sanitary Sewer Construction	36,294	19,554	23,029	32,819
Reserve Bond 07 Operating and Maint	1	-	-	1
Storm Water Bond and Interest	183,843	373,798	372,698	184,943
Jake's Creek Interest	155,250	338,513	493,763	-
MSD Jake's Creek Bond	345,067	38	133,099	212,006
Storm Water Grant	168,474	1	168,475	-
MSD New Equipment	134,500	-	-	134,500
SRLF WWTP	-	98,463	98,463	-

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

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

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Sewage Works Sinking	12,750	2,228,780	2,224,304	17,226
Sewage Debt Service Reserve	2,895,558	206,418	10	3,101,966
Storm Water Bond Payment	122,309	-	56,899	65,410
Storm Water Fee/Del Co	450,458	4,290,128	2,210,565	2,530,021
Recycling	49,719	154,748	63,315	141,152
88 Clean Up Race Track	19,811	25,000	24,334	20,477
Rainy Day-MSD	64,249	-	-	64,249
5 Year Planned Replacement	255,962	-	-	255,962
Sewage General	677,930	14,182,952	12,518,935	2,341,947
Totals	<u>\$ 30,620,416</u>	<u>\$ 113,565,888</u>	<u>\$ 108,198,084</u>	<u>\$ 35,988,220</u>

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor 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 City.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may 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 City.

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.

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,

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Penalties which include fees received for late payments.

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 may 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 City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENT
(Continued)

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 City 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 City. 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 City. 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 City 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 City 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 City 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.

CITY OF MUNCIE
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 City 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 City 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 City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

CITY OF MUNCIE
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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

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

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

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

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

Funding Policy

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. The overdrawn cash balance of the Bond Revenue/Tuhey Pool Fund was due to no property tax levy for the fund in 2012 since the City was required to use the 2011 budget for 2012. The overdrawn cash balance of the City Bond General Sinking Fund was due to insufficient tax revenues received to cover disbursements.

Note 8. Subsequent Events

In July 2013, the City issued revenue bonds in the amount of \$4,000,000 to finance an HVAC project, bathhouse project, and various other projects.

In May 2013, the Muncie Sanitary District issued revenue bonds in the amount of \$36,300,000 to pay off the bond anticipation note, to pay off the 2000 State Revolving Loan balance, and to finance various projects.

In May 2013, the Muncie Redevelopment Commission obtained a promissory note in the amount of \$1,250,000 to facilitate a façade grant program.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. *Other Postemployment Benefits*

The Muncie Sanitary District provides to eligible retirees and their spouses the following benefits; health insurance. These benefits pose a liability to the Muncie Sanitary District for this year and in future years. Information regarding the benefits can be obtained by contacting the Muncie Sanitary District.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Parking Meter	Economic Development Operating	Clerk's Records Perpetuation	Parks And Recreation	Rainy Day
Cash and investments - beginning	\$ 7,099,160	\$ 899,207	\$ 662,817	\$ 116,847	\$ 35,119	\$ 61,023	\$ 512,587	\$ 538,319
Receipts:								
Taxes	13,714,677	1,115,341	-	-	-	-	505,798	-
Licenses and permits	300,782	24,960	-	-	-	-	-	-
Intergovernmental	7,228,708	1,833,566	551,748	-	-	-	47,355	-
Charges for services	495,663	9,727	-	25,450	-	-	20,239	-
Fines and forfeits	294,359	23,363	-	-	-	8,752	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	1,069,576	20,101	374,467	-	-	137	84,015	-
Total receipts	<u>23,103,765</u>	<u>3,027,058</u>	<u>926,215</u>	<u>25,450</u>	<u>-</u>	<u>8,889</u>	<u>657,407</u>	<u>-</u>
Disbursements:								
Personal services	17,911,987	1,151,400	-	-	-	-	589,945	-
Supplies	639,260	360,692	-	-	-	-	87,427	-
Other services and charges	3,528,501	1,336,028	1,034,351	12,106	-	20,847	165,185	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	36,686	25,110	-	-	-	-	80,913	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	<u>22,116,434</u>	<u>2,873,230</u>	<u>1,034,351</u>	<u>12,106</u>	<u>-</u>	<u>20,847</u>	<u>923,470</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>987,331</u>	<u>153,828</u>	<u>(108,136)</u>	<u>13,344</u>	<u>-</u>	<u>(11,958)</u>	<u>(266,063)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 8,086,491</u>	<u>\$ 1,053,035</u>	<u>\$ 554,681</u>	<u>\$ 130,191</u>	<u>\$ 35,119</u>	<u>\$ 49,065</u>	<u>\$ 246,524</u>	<u>\$ 538,319</u>

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

	Cumulative Capl Imprv Cigarette Tax	Center Township Revenue	Police Pension	Fire Pension	Bond Revenue/Tuhey Pool	MPD Reserves Grant	Land Bank
Cash and investments - beginning	\$ 99,983	\$ 375,000	\$ 2,819,719	\$ 101,535	\$ -	\$ 1,600	\$ 40,783
Receipts:							
Taxes	-	-	394,005	1,950,442	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	185,883	-	2,267,446	2,742,365	-	-	-
Charges for services	-	200,000	1,649	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	61,572	34,578	-	-	-
Total receipts	185,883	200,000	2,724,672	4,727,385	-	-	-
Disbursements:							
Personal services	-	-	3,586,463	3,835,404	-	-	-
Supplies	-	-	39	32	-	-	-
Other services and charges	-	232,467	151,637	9,982	400	-	-
Debt service - principal and interest	-	-	-	-	91,431	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	285,866	-	-	-	-	-	-
Total disbursements	285,866	232,467	3,738,139	3,845,418	91,831	-	-
Excess (deficiency) of receipts over disbursements	(99,983)	(32,467)	(1,013,467)	881,967	(91,831)	-	-
Cash and investments - ending	\$ -	\$ 342,533	\$ 1,806,252	\$ 983,502	\$ (91,831)	\$ 1,600	\$ 40,783

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

	CD FY11 CDBG Program	CD FY09 Home program	FY11 Home Program	Victim Advocate 2011-2012	Fuel Surcharge	MFD Radio and Mobile Unit	MPD OPO/BCC 2011-2012
Cash and investments - beginning	\$ 973	\$ -	\$ -	\$ (131)	\$ 894	\$ 41,103	\$ 7,450
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	515,478	31,153	423,044	10,294	-	310,439	67,278
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	592	-	6,659	-	-	-	-
Total receipts	<u>516,070</u>	<u>31,153</u>	<u>429,703</u>	<u>10,294</u>	<u>-</u>	<u>310,439</u>	<u>67,278</u>
Disbursements:							
Personal services	192,457	-	34,028	-	-	-	-
Supplies	6,906	-	-	-	-	-	-
Other services and charges	317,680	31,153	395,675	-	-	351,542	31,918
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	10,163	-	-	42,810
Total disbursements	<u>517,043</u>	<u>31,153</u>	<u>429,703</u>	<u>10,163</u>	<u>-</u>	<u>351,542</u>	<u>74,728</u>
Excess (deficiency) of receipts over disbursements	<u>(973)</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>(41,103)</u>	<u>(7,450)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ -</u>	<u>\$ -</u>

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

	MPD DUI 2011-2012	MPD JAG grant 2010	MPD JAG 2011	Historic Preservation	Indiana NSP Grant	NSP 3 HUD Grant	Muncie Endurathon Grant
Cash and investments - beginning	\$ 3,369	\$ 32,554	\$ 2,464	\$ 227	\$ (378)	\$ -	\$ 29,267
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	28,038	-	24,638	200	382,016	439,553	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>28,038</u>	<u>-</u>	<u>24,638</u>	<u>200</u>	<u>382,016</u>	<u>439,553</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	2,326	56,612	-
Supplies	-	-	-	-	-	-	-
Other services and charges	18,503	23,418	-	81	379,413	382,941	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	29,100
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	12,904	-	-	-	-	-	-
Total disbursements	<u>31,407</u>	<u>23,418</u>	<u>-</u>	<u>81</u>	<u>381,739</u>	<u>439,553</u>	<u>29,100</u>
Excess (deficiency) of receipts over disbursements	<u>(3,369)</u>	<u>(23,418)</u>	<u>24,638</u>	<u>119</u>	<u>277</u>	<u>-</u>	<u>(29,100)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,136</u>	<u>\$ 27,102</u>	<u>\$ 346</u>	<u>\$ (101)</u>	<u>\$ -</u>	<u>\$ 167</u>

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

	Park Dept Phase II Spray Pool	MPD Stop Domestic Violence 2011	Regions Bank Indiana Stamping Bond	MPD SWAT Team	MPD Towing	CD FY12 CDBG Program	CD FY07 Home Grant
Cash and investments - beginning	\$ 75,000	\$ (11,871)	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	126	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	26,234	-	4,760	-	338,034	24,255
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	68,959	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	8,253	-	-	88	-
Total receipts	-	26,234	8,379	4,760	68,959	338,122	24,255
Disbursements:							
Personal services	-	12,438	-	-	-	68,946	-
Supplies	-	-	-	-	-	2,250	-
Other services and charges	-	1,925	-	-	12,120	266,926	24,255
Debt service - principal and interest	-	-	8,378	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	14,363	8,378	-	12,120	338,122	24,255
Excess (deficiency) of receipts over disbursements	-	11,871	1	4,760	56,839	-	-
Cash and investments - ending	\$ 75,000	\$ -	\$ 1	\$ 4,760	\$ 56,839	\$ -	\$ -

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

	CD FY12 Home Program	Victim Advocate 2012-2013	MPD Victim Advocate 2011-2012	MPD Stop Domestic Violence 2012	MPD DDE 2012	MPD JAG 2012	CD Miscellaneous Fund
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	106,081	-	44,020	5,650	5,988	17,736	-
Charges for services	-	5,000	7,650	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	34,568	31,663	1,000	-	-	15,087
Total receipts	<u>106,081</u>	<u>39,568</u>	<u>83,333</u>	<u>6,650</u>	<u>5,988</u>	<u>17,736</u>	<u>15,087</u>
Disbursements:							
Personal services	25,027	13,379	47,806	7,017	-	-	-
Supplies	-	1,114	959	-	-	-	-
Other services and charges	81,054	-	-	-	5,988	-	7,587
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	34,568	-	-	-	-
Total disbursements	<u>106,081</u>	<u>14,493</u>	<u>83,333</u>	<u>7,017</u>	<u>5,988</u>	<u>-</u>	<u>7,587</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>25,075</u>	<u>-</u>	<u>(367)</u>	<u>-</u>	<u>17,736</u>	<u>7,500</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 25,075</u>	<u>\$ -</u>	<u>\$ (367)</u>	<u>\$ -</u>	<u>\$ 17,736</u>	<u>\$ 7,500</u>

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

	Redevelop TIF Indiana Stamping	MPD OPO 2012-2013	MPD DUI 2012-2013	Cemetery Operating	Probation	CD FY10 Home Program	CD FY10 CDBG Program
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 131,194	\$ 71,998	\$ -	\$ -
Receipts:							
Taxes	252	-	-	195,109	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	18,320	-	192,444	97,871
Charges for services	-	-	-	93,722	-	-	-
Fines and forfeits	-	-	-	-	64,122	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	3,753	-	-	-
Total receipts	<u>252</u>	<u>-</u>	<u>-</u>	<u>310,904</u>	<u>64,122</u>	<u>192,444</u>	<u>97,871</u>
Disbursements:							
Personal services	-	-	-	276,902	-	-	2,336
Supplies	-	-	-	34,906	-	-	-
Other services and charges	126	8,489	3,744	37,496	-	192,444	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	28,595
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	9,847	3,530	-	96,970	-	66,940
Total disbursements	<u>126</u>	<u>18,336</u>	<u>7,274</u>	<u>349,304</u>	<u>96,970</u>	<u>192,444</u>	<u>97,871</u>
Excess (deficiency) of receipts over disbursements	<u>126</u>	<u>(18,336)</u>	<u>(7,274)</u>	<u>(38,400)</u>	<u>(32,848)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 126</u>	<u>\$ (18,336)</u>	<u>\$ (7,274)</u>	<u>\$ 92,794</u>	<u>\$ 39,150</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Park Grant	MPD Jag 2009	Cops Hiring Recovery	Police Donation	Parks And Recreation #3	Arborist License	Park Non-Reverting
Cash and investments - beginning	\$ 2,222	\$ 34,669	\$ 61,770	\$ 4,041	\$ 84,683	\$ 2,057	\$ 11,433
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	2,802	-
Intergovernmental	-	-	250,618	-	-	8,754	-
Charges for services	-	-	-	-	580,729	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	13,000	-	-	2,500	1,069	913	8,910
Total receipts	<u>13,000</u>	<u>-</u>	<u>250,618</u>	<u>2,500</u>	<u>581,798</u>	<u>12,469</u>	<u>8,910</u>
Disbursements:							
Personal services	-	-	-	-	375,340	-	-
Supplies	-	-	-	-	83,991	-	-
Other services and charges	11,427	-	312,388	2,500	112,323	2,846	3,221
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	34,669	-	-	4,653	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>11,427</u>	<u>34,669</u>	<u>312,388</u>	<u>2,500</u>	<u>576,307</u>	<u>2,846</u>	<u>3,221</u>
Excess (deficiency) of receipts over disbursements	<u>1,573</u>	<u>(34,669)</u>	<u>(61,770)</u>	<u>-</u>	<u>5,491</u>	<u>9,623</u>	<u>5,689</u>
Cash and investments - ending	<u>\$ 3,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,041</u>	<u>\$ 90,174</u>	<u>\$ 11,680</u>	<u>\$ 17,122</u>

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

	Park Dept - Bert Whitely	Beech Grove Cum Bldg Maint	MPD Interdiction	MPD Lebg Safety Vest Grant	Drug Task Force Forfeiture	MPD Uniform Forfeiture	MPD Dare
Cash and investments - beginning	\$ 10,079	\$ (781)	\$ 1,490	\$ 2,106	\$ 9,623	\$ 300	\$ 6,127
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	5,903	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	10,043	53,524	71	-	-	-	-
Total receipts	10,043	53,524	71	5,903	-	-	-
Disbursements:							
Personal services	-	27,406	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	6,268	12,375	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	6,268	39,781	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	3,775	13,743	71	5,903	-	-	-
Cash and investments - ending	\$ 13,854	\$ 12,962	\$ 1,561	\$ 8,009	\$ 9,623	\$ 300	\$ 6,127

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

	MPD K-9 Special Olympics	MPD Traffic Division	MPD Arson Investigations	Mpd Police Training	Law Enforcement Continuing Ed	Fire Department Donations	Fire Dept Smoke Alarms
Cash and investments - beginning	\$ 2,797	\$ 42,769	\$ 9,840	\$ 26,985	\$ 87,147	\$ 27,036	\$ 514
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	8,960	24,726	-	-
Intergovernmental	-	4,000	-	-	-	-	-
Charges for services	-	-	-	10,226	30,432	-	-
Fines and forfeits	-	8,735	-	75	6,932	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,715	-	30	811	26,484	-
Total receipts	-	15,450	-	19,291	62,901	26,484	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	58,219	-	19,413	89,538	8,103	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	58,219	-	19,413	89,538	8,103	-
Excess (deficiency) of receipts over disbursements	-	(42,769)	-	(122)	(26,637)	18,381	-
Cash and investments - ending	\$ 2,797	\$ -	\$ 9,840	\$ 26,863	\$ 60,510	\$ 45,417	\$ 514

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

	Mun-Del Haz-Mat Team	Animal Shelter Donation	Rails To Trails Project	Environmental Enhancement	CD Grants Other (Non-HUD)	Alarm Ordinance	TIF Central City
Cash and investments - beginning	\$ 171	\$ 15,201	\$ -	\$ 233,194	\$ 93	\$ 1,953	\$ 678,661
Receipts:							
Taxes	-	-	-	-	-	-	348,048
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	14,319	-	-	-	-
Charges for services	-	-	-	-	1,000	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	18,170	-	242	-	37	785
Total receipts	-	18,170	14,319	242	1,000	37	348,833
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	19,542	14,319	-	1,093	-	236,230
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	19,542	14,319	-	1,093	-	236,230
Excess (deficiency) of receipts over disbursements	-	(1,372)	-	242	(93)	37	112,603
Cash and investments - ending	\$ 171	\$ 13,829	\$ -	\$ 233,436	\$ -	\$ 1,990	\$ 791,264

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

	Redevelopment Tech Park	Redevelopment Commission	Industrial Develop Revolving Loan	Redevelopment Comm Other Prjs	Taxable Tax Inc & Economic Income	CD FY08 CDBG Program	CD Unsafe Building Fund
Cash and investments - beginning	\$ 237,979	\$ 89,065	\$ 352,495	\$ 371,180	\$ 124	\$ -	\$ 51,756
Receipts:							
Taxes	292,592	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	34,182	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>116,173</u>	<u>140,132</u>	<u>280,779</u>	<u>193,506</u>	<u>596,075</u>	<u>-</u>	<u>54,810</u>
Total receipts	<u>408,765</u>	<u>140,132</u>	<u>280,779</u>	<u>193,506</u>	<u>596,075</u>	<u>34,182</u>	<u>54,810</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	325,000	-	-	43,493	-	-	24,379
Debt service - principal and interest	-	-	-	42,780	596,075	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>153,809</u>	<u>460,814</u>	<u>-</u>	<u>-</u>	<u>34,182</u>	<u>-</u>
Total disbursements	<u>325,000</u>	<u>153,809</u>	<u>460,814</u>	<u>86,273</u>	<u>596,075</u>	<u>34,182</u>	<u>24,379</u>
Excess (deficiency) of receipts over disbursements	<u>83,765</u>	<u>(13,677)</u>	<u>(180,035)</u>	<u>107,233</u>	<u>-</u>	<u>-</u>	<u>30,431</u>
Cash and investments - ending	<u>\$ 321,744</u>	<u>\$ 75,388</u>	<u>\$ 172,460</u>	<u>\$ 478,413</u>	<u>\$ 124</u>	<u>\$ -</u>	<u>\$ 82,187</u>

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

	Park White River Beautification	Park Beautification Program	Fire Safety & Equipment	Drug Task Force Federal Forfeiture	Community Development/NSP Grant	Adult Probation Services Fees	CDBG-R HUD Grant
Cash and investments - beginning	\$ 224	\$ 225	\$ 532	\$ 129,460	\$ -	\$ 85,390	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	5,478	226,341	-	150,587
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	28,448	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	398	-	-	-
Total receipts	-	-	-	5,876	226,341	28,448	150,587
Disbursements:							
Personal services	-	-	-	-	10,503	-	1,103
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	61,179	215,838	-	149,484
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	61,179	226,341	-	150,587
Excess (deficiency) of receipts over disbursements	-	-	-	(55,303)	-	28,448	-
Cash and investments - ending	\$ 224	\$ 225	\$ 532	\$ 74,157	\$ -	\$ 113,838	\$ -

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

	CD FY09 CDBG Program	City Bond General Sinking	Redevelopment Comm/ Facade	E.D.I.T.	Urban Development	Health Ins.	Beech Grove Thompson Trust
Cash and investments - beginning	\$ (73)	\$ (9,349)	\$ 177,308	\$ 190,488	\$ (20,221)	\$ 1,151,736	\$ 9,767
Receipts:							
Taxes	-	40,574	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,334	3,810	-	1,510,715	37,052	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1	76,916	126,602	-	7,920,543	24
Total receipts	<u>11,334</u>	<u>44,385</u>	<u>76,916</u>	<u>1,637,317</u>	<u>37,052</u>	<u>7,920,543</u>	<u>24</u>
Disbursements:							
Personal services	-	-	-	7,719	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	52,381	40	840,000	16,159	9,010,229	-
Debt service - principal and interest	-	-	170,000	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	11,261	-	-	-	-	8,492	-
Total disbursements	<u>11,261</u>	<u>52,381</u>	<u>170,040</u>	<u>847,719</u>	<u>16,159</u>	<u>9,018,721</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>73</u>	<u>(7,996)</u>	<u>(93,124)</u>	<u>789,598</u>	<u>20,893</u>	<u>(1,098,178)</u>	<u>24</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (17,345)</u>	<u>\$ 84,184</u>	<u>\$ 980,086</u>	<u>\$ 672</u>	<u>\$ 53,558</u>	<u>\$ 9,791</u>

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

	Beech Grove Cemetery Trust	Beech Grove Grace Maring	Beech Grove Hardin Rhoads	Redevelopment Comm/ Allocation	Payroll	Insurance - Other	Beech Grove Pre-Need
Cash and investments - beginning	\$ 25,647	\$ 56,405	\$ 26,439	\$ 3,016,540	\$ 490,983	\$ 696,204	\$ 144,945
Receipts:							
Taxes	-	-	-	1,934,957	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	46	109	50	142	27,230,551	189,516	11,023
Total receipts	<u>46</u>	<u>109</u>	<u>50</u>	<u>1,935,099</u>	<u>27,230,551</u>	<u>189,516</u>	<u>11,023</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	15,978	7,989	-	-	-	-
Debt service - principal and interest	-	-	-	598,600	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	193,554	27,718,372	-	3,750
Total disbursements	<u>-</u>	<u>15,978</u>	<u>7,989</u>	<u>792,154</u>	<u>27,718,372</u>	<u>-</u>	<u>3,750</u>
Excess (deficiency) of receipts over disbursements	<u>46</u>	<u>(15,869)</u>	<u>(7,939)</u>	<u>1,142,945</u>	<u>(487,821)</u>	<u>189,516</u>	<u>7,273</u>
Cash and investments - ending	<u>\$ 25,693</u>	<u>\$ 40,536</u>	<u>\$ 18,500</u>	<u>\$ 4,159,485</u>	<u>\$ 3,162</u>	<u>\$ 885,720</u>	<u>\$ 152,218</u>

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

	User Fee Law Enforcement Education	Collection Agency Parking Violation	Security Deposit	TIF Muncie Mall	Court Cost Due County	City Court	Cabin Rental Deposits
Cash and investments - beginning	\$ 43,991	\$ 55	\$ 6,848	\$ -	\$ -	\$ 85,733	\$ 1,200
Receipts:							
Taxes	-	-	-	1,934,798	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	19,649
Fines and forfeits	11,859	236	-	-	57,983	860,815	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	8,500	159	-	67	-
Total receipts	11,859	236	8,500	1,934,957	57,983	860,882	19,649
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	10,910	-	1,548	1,934,957	57,983	852,943	19,517
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	118	-	-	-	-	-
Total disbursements	10,910	118	1,548	1,934,957	57,983	852,943	19,517
Excess (deficiency) of receipts over disbursements	949	118	6,952	-	-	7,939	132
Cash and investments - ending	\$ 44,940	\$ 173	\$ 13,800	\$ -	\$ -	\$ 93,672	\$ 1,332

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

	Sanitation	Cumulative Building and Sinking	Reserve Operating and Maintenance	Revolving Sanitary Sewer Construction	Reserve Bond 07 Operating and Maint	Storm Water Bond and Interest	Jake's Creek Interest
Cash and investments - beginning	\$ 2,144,045	\$ 225,082	\$ 162,046	\$ 36,294	\$ 1	\$ 183,843	\$ 155,250
Receipts:							
Taxes	4,345,430	546,863	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,281,860	54,733	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	27,410	2,851	-	19,554	-	373,798	-
Other receipts	368,548	1,157	228,697	-	-	-	338,513
Total receipts	<u>6,023,248</u>	<u>605,604</u>	<u>228,697</u>	<u>19,554</u>	<u>-</u>	<u>373,798</u>	<u>338,513</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	235,212	-	-	-	-	-	-
Utility operating expenses	4,909,443	-	-	-	-	372,698	183,263
Other disbursements	-	700,686	-	23,029	-	-	310,500
Total disbursements	<u>5,144,655</u>	<u>700,686</u>	<u>-</u>	<u>23,029</u>	<u>-</u>	<u>372,698</u>	<u>493,763</u>
Excess (deficiency) of receipts over disbursements	<u>878,593</u>	<u>(95,082)</u>	<u>228,697</u>	<u>(3,475)</u>	<u>-</u>	<u>1,100</u>	<u>(155,250)</u>
Cash and investments - ending	<u>\$ 3,022,638</u>	<u>\$ 130,000</u>	<u>\$ 390,743</u>	<u>\$ 32,819</u>	<u>\$ 1</u>	<u>\$ 184,943</u>	<u>\$ -</u>

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

	MSD Jake's Creek Bond	Storm Water Grant	MSD New Equipment	SRLF WWTP	Sewage Works Sinking	Sewage Debt Service Reserve	Storm Water Bond Payment
Cash and investments - beginning	\$ 345,067	\$ 168,474	\$ 134,500	\$ -	\$ 12,750	\$ 2,895,558	\$ 122,309
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	98,463	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	38	1	-	-	2,228,780	206,418	-
Total receipts	<u>38</u>	<u>1</u>	<u>-</u>	<u>98,463</u>	<u>2,228,780</u>	<u>206,418</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	133,099	168,475	-	98,463	-	10	54,899
Other disbursements	-	-	-	-	2,224,304	-	2,000
Total disbursements	<u>133,099</u>	<u>168,475</u>	<u>-</u>	<u>98,463</u>	<u>2,224,304</u>	<u>10</u>	<u>56,899</u>
Excess (deficiency) of receipts over disbursements	<u>(133,061)</u>	<u>(168,474)</u>	<u>-</u>	<u>-</u>	<u>4,476</u>	<u>206,408</u>	<u>(56,899)</u>
Cash and investments - ending	<u>\$ 212,006</u>	<u>\$ -</u>	<u>\$ 134,500</u>	<u>\$ -</u>	<u>\$ 17,226</u>	<u>\$ 3,101,966</u>	<u>\$ 65,410</u>

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

	Storm Water Fee/Del Co	Recycling	88 Clean Up Race Track	Rainy Day-MSD	5 Year Planned Replacement	Sewage General	Totals
Cash and investments - beginning	\$ 450,458	\$ 49,719	\$ 19,811	\$ 64,249	\$ 255,962	\$ 677,930	\$ 30,620,416
Receipts:							
Taxes	-	-	-	-	-	-	27,319,012
Licenses and permits	-	-	-	-	-	-	362,230
Intergovernmental	-	-	-	-	-	-	21,668,744
Charges for services	-	-	-	-	-	-	1,501,136
Fines and forfeits	-	-	-	-	-	-	1,434,638
Utility fees	4,122,453	48,490	-	-	-	13,920,087	18,514,643
Other receipts	167,675	106,258	25,000	-	-	262,865	42,765,485
Total receipts	<u>4,290,128</u>	<u>154,748</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>14,182,952</u>	<u>113,565,888</u>
Disbursements:							
Personal services	-	-	-	-	-	-	28,236,544
Supplies	-	-	-	-	-	-	1,217,576
Other services and charges	-	-	-	-	-	-	23,615,794
Debt service - principal and interest	-	-	-	-	-	-	1,507,264
Capital outlay	34,571	-	-	-	-	65,686	575,195
Utility operating expenses	2,175,994	63,315	24,334	-	-	11,236,499	19,420,492
Other disbursements	-	-	-	-	-	1,216,750	33,625,219
Total disbursements	<u>2,210,565</u>	<u>63,315</u>	<u>24,334</u>	<u>-</u>	<u>-</u>	<u>12,518,935</u>	<u>108,198,084</u>
Excess (deficiency) of receipts over disbursements	<u>2,079,563</u>	<u>91,433</u>	<u>666</u>	<u>-</u>	<u>-</u>	<u>1,664,017</u>	<u>5,367,804</u>
Cash and investments - ending	<u>\$ 2,530,021</u>	<u>\$ 141,152</u>	<u>\$ 20,477</u>	<u>\$ 64,249</u>	<u>\$ 255,962</u>	<u>\$ 2,341,947</u>	<u>\$ 35,988,220</u>

CITY OF MUNCIE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 595,437	\$ 2,641,970
Governmental activities	382,568	2,216,502
Totals	\$ 978,005	\$ 4,858,472

CITY OF MUNCIE
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
FIRST MERCHANTS BANK	MUN-DEL CITY SHARE OF JUSTICE CENTER	\$ 52,530	06-28-02	12-31-14
THE BANK OF NEW YORK TRUST	CONVENTION CENTER	150,000	03-14-02	12-31-21
STAR FINANCIAL BANK	FIRE TRUCK	148,369	03-15-13	09-15-20
STAR EQUIPMENT FINANCE	POLICE VEHICLES	<u>86,406</u>	01-15-13	01-15-17
Total governmental activities		<u>437,305</u>		
Sanitation:				
TCF EQUIPMENT FINANCE, INC	MUNCIE SANITARY DISTRICT VEHICLES	<u>147,614</u>	03-04-12	03-04-16
Total of annual lease payments		<u>\$ 584,919</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	FACADE RESTORATION	\$ 185,000	\$ 195,563
Revenue bonds	INDIANA STAMPING PROJECT	400,000	8,377
Revenue bonds	SALLIE MAE PROJECT	4,538,000	596,588
Revenue bonds	INDIANA PARK DISTRICT BONDS FOR TUHEY POOL	<u>2,000,000</u>	<u>164,431</u>
Total governmental activities		<u>7,123,000</u>	<u>964,959</u>
Wastewater:			
General obligation bonds	STORM WATER	4,205,000	372,798
Revenue bonds	BAN BOND ANTICIPATION WARRANTS	9,000,000	9,034,313
Notes and loans payable	SRF LOANS	<u>22,093,000</u>	<u>2,221,704</u>
Total Wastewater		<u>35,298,000</u>	<u>11,628,815</u>
Totals		<u>\$ 42,421,000</u>	<u>\$ 12,593,774</u>

CITY OF MUNCIE
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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	\$ 2,236,049
Infrastructure	11,438,621
Buildings	11,093,150
Improvements other than buildings	7,449,071
Machinery, equipment, and vehicles	9,616,117
Total governmental activities	41,833,008
Wastewater:	
Land	235,920
Buildings	9,626,268
Improvements other than buildings	60,234,316
Machinery, equipment, and vehicles	21,031,929
Construction in progress	647,383
Total Wastewater	91,775,816
Total capital assets	\$ 133,608,824

CITY OF MUNCIE
OTHER REPORTS

The annual report presented herein was prepared in addition to the other official reports prepared for the individual City offices listed below:

Muncie City Clerk
Muncie City Court Judge

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

There were immaterial differences for all monthly reconciliations for the year 2012. The differences ranged from the bank balance exceeding the record balance by \$1,108 and the bank balance being less than the record balance by \$3,130. Some of the differences occurred because payments made to the Internal Revenue Service and Public Employees Retirement Fund for employee withholdings and employer share of benefits did not agree with record postings. Also, the Building Commissioner's office did not issue receipts when credit card charges were made by individuals.

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

ANNUAL REPORT

The Annual Report for 2012 contained a number of errors and did not properly reflect the financial activity of the City. The City's records are on a modified accrual basis. Payroll transactions were erroneously reported using the debits and credits of the payroll cash account rather than actual receipts and disbursements. Adjustments made for payroll receipts and disbursements were \$38,375,215 and \$38,362,838, respectively. Transactions of Trust accounts, which were established for debt payments, debt requirements, etc., were not properly reflected in the Annual Report. Adjustments to the financial statements have been made with the approval of the Controller.

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 prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

WEED ASSESSMENT PROGRAM - BUILDING COMMISSIONER

Financial records presented for audit were incomplete and not reflective of the activity of the Weed Assessment Program. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Some of the deficiencies included:

1. Employees are still posting to the "Blackbear" system even though it no longer has technical support.
2. The ending uncollected balances of the "Blackbear" System were not entered in to the "New World" System as beginning uncollected balances of approximately \$117,000.
3. The "New World" System was not properly set up to account for weed assessments, collections, liens, certifications, and balances.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

4. Liens for unpaid weed assessments were filed with the County Auditor; however, due to deadlines imposed by the County not being met by the City, approximately 200 liens could not be placed on properties that have already been placed in the tax sale.

Even though the Building Commissioner's office was given more than two weeks to prepare proper records for audit, certain records were not presented for audit.

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)

At all times, the manual and/or computerized records, subsidiary ledgers, and control ledger should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns)

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns)

DEPOSITS - BUILDING COMMISSIONER

Thirty six checks totaling \$2,490 were not timely deposited in 2012. The checks were received by the Building Commissioner's office as long as 40 days earlier. These checks were deposited by January 14, 2013.

Receipt postings and deposits of credit card use were not in agreement. The deposits for credit card use totaled \$27,445.32. The receipt postings for credit card use totaled \$28,550.52. This resulted in a difference between deposits and receipt postings of \$1,105.20.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

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)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

CITY OF MUNCIE
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn
Bond Revenue/Tuhey Pool	\$ 91,831
City Bond Sinking	17,345

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns)

MUNCIE SANITARY DISTRICT SEWAGE RATES - APPROVAL BY THE COMMON COUNCIL

As noted in prior Reports B32459, B34925, B37241, B38990, B40896, and during the current audit period, the Wastewater rates in effect for charges billed to Muncie Sanitary District Wastewater Utility customers in 2012 were established in Resolution 2012-3. The resolutions were approved by the Board of Sanitary Commissioners. Before taking effect, the wastewater rates were not approved by ordinance of the municipal legislative body.

Indiana Code 36-9-25-11 states in part:

"(a) In connection with its duties, the board may fix fees for the treatment and disposal of sewage and other waste discharged into the sewerage system, collect the fees, and establish and enforce rules governing the furnishing of and payment for sewage treatment and disposal service. The fees must be just and equitable and shall be paid by any user of the sewage works and the owner of every lot, parcel of real property, or building that is connected with and uses the sewage works of the district by or through any part of the sewerage system. This section applies to owners of property that is partially or wholly exempt from taxation, as well as owners of property subject to full taxation. . . .

(c) . . . However, fees related to property that is subject to full taxation do not take effect until they have been approved by ordinance of the municipal legislative body . . ."

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

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Muncie's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City'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 City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 City's compliance.

Basis for Qualified Opinion on the Highway Planning and Construction Cluster

As described in item 2012-5 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of the City with the Highway Planning and Construction Cluster requirements regarding cash management and reporting, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures.

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

Qualified Opinion on the Highway Planning and Construction 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 City's compliance with the requirements of the Highway Planning and Construction Cluster regarding cash management and reporting, described in the *Basis for Qualified Opinion* paragraph, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2012.

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 2012-3 and 2012-4. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City'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 City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type 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 City's internal control over compliance.

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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that

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

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 2012-5 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-3, 2012-4, and 2012-6 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City'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.



Bruce Hartman
State Examiner

August 6, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
COOPERATIVE FORESTRY ASSISTANCE	DEPARTMENT OF NATURAL RESOURCES	10.664	2010	\$ 8,753
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
CDBG - ENTITLEMENT GRANTS CLUSTER				
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS				
	DIRECT GRANT	14.218	B-08-MC-18-0010	34,182
	DIRECT GRANT	14.218	B-09-MC-18-00102	11,334
	DIRECT GRANT	14.218	B-10-MC-18-00102	97,871
	DIRECT GRANT	14.218	B-11-MC-18-00102	515,478
	DIRECT GRANT	14.218	B-11-MN-18-009	439,553
	DIRECT GRANT	14.218	B-12-MC-18-00102	338,034
	DIRECT GRANT	14.218	B-07-MC-18-00102	<u>24,255</u>
TOTAL - COMMUNITY DEVELOPMENT GRANTS/ENTITLEMENT GRANTS				<u>1,460,707</u>
ARRA - COMMUNITY DEVELOPMENT BLOCK GRANT				
ARRA ENTITLEMENT GRANT (RECOVERY ACT FUNDED)				
	DIRECT GRANT	14.253	B-09-MY-18-0010	<u>150,587</u>
COMMUNITY DEVELOPMENT BLOCK GRANTS/SPECIAL PURPOSE GRANTS/INSULAR AREAS				
	DIRECT GRANT	14.254	B-08-MN-18-009	<u>226,341</u>
TOTAL-CDBG-ENTITLEMENT GRANTS CLUSTER				<u>1,837,635</u>
CDBG - STATE-ADMINISTERED CDBG CLUSTER				
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII				
	INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY	14.228	HD-011-002	296,250
	INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY	14.228	NSP-009-0019	<u>382,016</u>
TOTAL - CDBG - STATE-ADMINISTERED CDBG CLUSTER				<u>678,266</u>
HOME INVESTMENT PARTNERSHIPS PROGRAM				
	DIRECT GRANT	14.239	M-09-MC-18-0206	31,153
	DIRECT GRANT	14.239	M-10-MC-18-0206	192,444
	DIRECT GRANT	14.239	M-11-MC-18-0206	424,703
	DIRECT GRANT	14.239	M-12-MC-18-0206	<u>106,081</u>
TOTAL - HOME INVESTMENT PARTNERSHIPS PROGRAM				<u>754,381</u>
ECONOMIC DEVELOPMENT INITIATIVE - SPECIAL PROJECT NEIGHBORHOOD INITIATIVE AND MISCELLANEOUS GRANTS				
	DIRECT GRANT	14.251	B-06-SP-IN-0346	<u>37,052</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>3,307,334</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>				
CLEAN VESSEL ACT				
	INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT	15.616	EDS#A305-10-72	<u>31,474</u>
HISTORIC PRESERVATION FUND GRANTS-IN-AID				
	DEPARTMENT OF NATURAL RESOURCES	15.904	18-05-21517-CA-3	1,093
	DEPARTMENT OF NATURAL RESOURCES	15.904	FY 2012	<u>1,000</u>
TOTAL FOR PROGRAM				<u>2,093</u>
TOTAL U.S. DEPARTMENT OF INTERIOR				<u>33,567</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
BULLETPROOF VEST PARTNERSHIP PROGRAM				
	DIRECT GRANT	16.607	none	<u>5,903</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>				
JAG PROGRAM CLUSTER				
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	DIRECT GRANT	16.738	2009-DJ-BX-1001	34,669
	DIRECT GRANT	16.738	2011-DJ-BX-0693	<u>23,418</u>
TOTAL - JAG PROGRAM CLUSTER				<u>58,087</u>
CRIME VICTIM ASSISTANCE				
	INDIANA CRIMINAL JUSTICE INSTITUTE	16.575	201-VA-GX-0039	44,020
	INDIANA CRIMINAL JUSTICE INSTITUTE	16.575	201-VA-GX-0039	<u>10,294</u>
Total - CRIME VICTIM ASSISTANCE				<u>54,314</u>
VIOLENCE AGAINST WOMEN FORMULA GRANTS				
	INDIANA CRIMINAL JUSTICE INSTITUTE	16.588	2011-WF-AX-0010	26,234
	INDIANA CRIMINAL JUSTICE INSTITUTE	16.588	2011-WF-AX-0010	<u>5,650</u>
Total - VIOLENCE AGAINST WOMEN FORMULA GRANTS				<u>31,884</u>
PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS				
	DIRECT	16.710	2009RKWX0039	<u>250,617</u>
EQUITABLE SHARING PROGRAM				
	DIRECT	16.922	2012	<u>5,213</u>
TOTAL - DEPARTMENT OF JUSTICE				<u>406,018</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				
HIGHWAY PLANNING AND CONSTRUCTION				
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0401076	21,045
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0501032	54,093
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0501033	7,952
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0300821	2,314
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0710089	52,034
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0711005	135,472
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0800347	100,000
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#0301164	4,503
	DELAWARE COUNTY	20.205	EDS#A249-10-321472PL	36,387
	INDIANA DEPT OF TRANSPORTATION	20.205	DES#06001198	<u>9,816</u>
TOTAL - HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				<u>423,616</u>
HIGHWAY SAFETY CLUSTER				
STATE AND COMMUNITY HIGHWAY SAFETY				
	INDIANA CRIMINAL JUSTICE INSTITUTE	20.600	PT-12-11-04-02	<u>67,278</u>
ALCOHOL IMPAIRED DRIVING COUNTERMEASURES INCENTIVE GRANTS I				
	INDIANA FINANCE AUTHORITY	20.601	2012-402-13-1067	5,988
	DIRECT	20.601	K8-2012-03-03-06	<u>28,038</u>
Total - ALCOHOL IMPAIRED DRIVING COUNTERMEASURES INCENTIVE GRANTS I				<u>34,026</u>
TOTAL - HIGHWAY SAFETY CLUSTER				<u>101,304</u>
TOTAL - DEPARTMENT OF TRANSPORTATION				<u>524,920</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS				
	INDIANA FINANCE AUTHORITY	66.458	WWW06121802	<u>37,387</u>
TOTAL - ENVIRONMENTAL PROTECTION AGENCY				<u>37,387</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
ASSISTANCE TO FIREFIGHTERS GRANT	DIRECT	97.044	EMW-2007-FO-07910	<u>286,535</u>
STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)	DIRECT	97.083	EMW-2009-FH-01268	<u>1,461,043</u>
TOTAL - DEPARTMENT OF HOMELAND SECURITY				<u>1,747,578</u>
TOTAL FEDERAL AWARDS EXPENDED				<u>\$ 6,065,557</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MUNCIE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Muncie (City) 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/Entitlement Grants	14.218	\$ 758,451
Home Investment Partnerships Program	14.239	384,957
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	379,413
State and Community Highway Safety	20.600	54,478

CITY OF MUNCIE
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?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program CDBG – State-Administered CDBG Cluster Highway Planning and Construction Cluster
97.044	Assistance to Firefighters Grant
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

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

Proper internal controls were not in place to prevent or detect and correct errors on the financial statement or to verify the accuracy of the reported cash balances. The City should have proper controls in place over preparation of the financial statement and reported cash balances to ensure accurate reporting of the financial statement.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Annual Report for 2012 contained a number of errors and did not properly reflect the financial activity of the City. The City's records are on a modified accrual basis. Payroll transactions were erroneously reported using the debits and credits of the payroll cash account rather than actual receipts and disbursements. Adjustments made for payroll receipts and disbursements were \$38,375,215 and \$38,362,838, respectively. Trust account transactions established for debt and meeting debt requirements were not properly reflected in the Annual Report. The financial statement of the City is compiled using information from the Annual Report. Adjustments to the financial statement have been made with the approval of the Controller.

There were immaterial differences for all monthly reconcilements for the year 2012. The differences ranged from the bank balance exceeding the record balance by \$1,108 to the bank balance being less than the record balance by \$3,130. Payments made to the Internal Revenue Service and Public Employees Retirement Fund for employee withholdings and employer share of benefits did not agree with record postings.

A material misstatement could occur on the financial statements and go undetected.

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 prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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)

FINDING 2012 - 2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - SCHEDULE OF EXPENDITURES OF FEDERAL AWARD (SEFA)

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City 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 immaterial errors. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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."

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - ALLOWABLE ACTIVITIES/ALLOWABLE COSTS AND CASH MANAGEMENT

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

Federal Program: Community Development Block Grants/State's

Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): HD-011-002

Pass-Through Entity: Indiana Housing and Community Development Authority

The City was awarded a Community Development Block Grant for Emergency Shelter in the amount of \$296,250.00 from the Indiana Housing and Community Development Authority (IHCDA) in 2011. The IHCDA prepared the claim voucher for reimbursement and sent the claim to the City for their authorized signatures. Community Development employees reviewed and signed the claim voucher and returned it to IHCDA for processing. The IHCDA then processed the claim and sent the City of Muncie the distribution by way of a two party check in the amount of \$296,250.00.

The two-party check was made payable to the City of Muncie and the vendor. There were several documents in the grant files indicating the IHCDA instructed the unit to sign the check and then mail the check to the vendor named as payee. The grant transactions were not reflected in the records of the City. The governing board did not approve the claim and the fiscal officer did not audit the claim to determine it was proper.

The City has established an internal control system over the Allowable Activities/Allowable Costs and Cash Management requirements; however, the controls were not effective. The failure to establish an effective internal control system places the City 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 grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, 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

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.

The grant agreement between the IHADA and the City of Muncie states in part:

"The Authority shall disburse to the Recipient an amount not in excess of the Award upon:

- (i) request for disbursement on form 'Claim Voucher' (A-12) properly executed by the Recipient;
- (ii) receipt of all proper materials, receipts, and approvals provided herein together with such other documentation as the Authority may from time to time request . . ."

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

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

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

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and allowable activities of allowable costs and cash management compliance requirements.

FINDING 2012-4 - ALLOWABLE ACTIVITIES/ALLOWABLE COSTS

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

Federal Program: Home Investment Partnerships Program

CFDA Number: 14.239

Federal Award Number and Year (or Other Identifying Number): M-12-MC-18-0206

The City did not follow the requirements of the HOME manual in regards to the commitment of HOME funds. The HOME manual, which is prepared by the Community Development department, details the application process for entities to obtain HOME funds from the City of Muncie. The application process, according to the HOME manual, requires the City to advertise for Request for Proposals (RFPs) for new construction for homeownership, rental development, and/or rehabilitation of rental units. The RFPs are to be received and ranked by an Advisory Committee. The Advisory Committee then selects the RFP to be funded. A commitment of up to \$200,000 was made on June 4, 2012, for use on the Hotel Roberts project. The commitment was made without the approval of the Advisory Committee.

Management of the City of Muncie has established an internal control system over the Allowable Activities/Allowable Costs requirement; however, the controls were not effective. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, 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 could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended the City officials implement controls and procedures to ensure compliance with the Allowable Activities/Allowable Costs requirements.

FINDING 2012-5 - CASH MANAGEMENT AND REPORTING

Federal Agency: U.S. Department of Transportation
Federal Program: Highway Planning and Construction
CDFA Number: 20.205

Federal Award Number and Year (or Other Identifying Number): DES #0300821 (Cash Management);
DES #0501032 and DES #0401076
(Reporting)

Pass -Through Entity: Indiana Department of Transportation

The Highway Planning and Construction grants are funded on the reimbursement basis. The reimbursement request of \$135,472 for DES #0300821 (CMAQ Grant) was not presented for audit. It could not be determined if costs were paid prior to the date of the reimbursement request. The City is required to submit reports to the Indiana Department of Transportation; however, reports requested for Projects DES #0501032 and DES #0401076 were not presented for audit.

Management of the City has not established or implemented an effective internal control system over the Cash Management and Reporting requirements. The failure to establish an effective internal control system places the City 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 grant.

CITY OF MUNCIE
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 type of compliance requirement of a federal program will be prevented, 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.

49 CFR 18.42 states in part:

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

(c) *Starting date of retention period* —(1) *General.* When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due."

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."

We were not able to determine compliance with the Cash Management and Reporting requirements as set forth by the federal government since reimbursement requests and reports were not presented for audit. Additionally, failure to comply with Cash Management and Reporting requirements may cause future funding to be reduced by the pass-through agency.

We recommended City officials develop and implement controls and procedures to ensure compliance with the Cash Management and Reporting requirements.

FINDING 2012-6- CASH MANAGEMENT

Federal Agency: U.S. Department of Homeland Security
Federal Program: Staffing For Adequate Fire and Emergency Response (SAFER)
CFDA Number: 97.083
Federal Award Number and Year (or Other Identifying Number): EMW-2009-FH-01268

The SAFER grant is funded on the reimbursement basis. Three of the six reimbursement requests submitted were not accurate due to an error in calculating the amount of the reimbursement request. The amounts requested for reimbursement were less than the actual disbursements. The control system of the City did not detect these errors.

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City has established an internal control system over the Cash Management requirement however, the controls were not effective. The failure to establish an effective internal control system places the City 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 grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, 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 could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and cash management compliance requirements.



Community Development 2011 State Board of Accounts Finding

Community Development had one “*finding*” from the State Board of Accounts 2011 Audit.

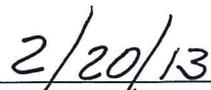
IHCDA contacted our office about awarding us two grants for weatherization (HD-011-002 & HD-011-003). They would administer and monitor these grants with our approval. IHCDA would produce claim documentation for us to “sign off on”. IHCDA then generated 2-party checks made out to the City of Muncie and the contractor. Our office would endorse the check then forward it to the contractor. No money filtered in or out of the City’s bank account.

Corrective Action:

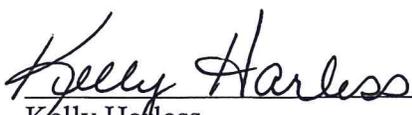
- Community Development will no longer accept grants on this basis. However, these grants are not complete at this time. We have given IHCDA our direct deposit information for further transactions.
- Community Development acknowledges that a 2-party check was generated 2-1-12 and will most likely prompt a “*finding*” in our 2012 audit.



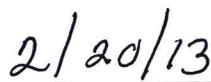
Terry Whitt Bailey
Community Development Director



Date



Kelly Harless
Community Development Assistant Director



Date



MAYOR DENNIS TYLER
City of MUNCIE
MUNCIE, INDIANA

March 14, 2013

RE: Response to Federal Finding

The past administration did not comply with the rules and regulations needed to ensure that the payrolls of vendors were in compliance with Davis Bacon. While there is no reason to believe that employees were compensated unfairly, the documentation needed to verify such was not adequately obtained. Officials in charge of administering federal funds under the new administration are fully aware of this past shortfall and can ensure complete compliance with all federal, state, and local rules with future federal awards.

Arron Kidder
Grants Administrator



August 6, 2013

Safer

Finding 2012-6

Corrective Action:

- In regards to finding 2012-6 the City of Muncie was able to identify inefficient controls over cash management of the federal award in which the finding refers. Previous controls allowed for minute errors in terms of reporting to go unrecognized prior to the audit. In an effort to amend such inefficiencies the City of Muncie management has undergone an institutional structure to change to allow for greater oversight over reimbursement and drawdown of funds. Specifically a delegation of duties has been imposed in an effort to identify accounting errors should they occur in the future.

Highway Planning and Construction

Finding 2012-5

Corrective Action:

- In relation to finding 2012-5 previous controls over reporting and cash management, inefficacious procedures were identified, as federal and state awards require a system of proper documentation of filing of appropriate reports. Following the audit by the State Board of Accounts, the City of Muncie has recognized the aforementioned errors and has undergone a reallocation of duties and processes to amend said errors. A streamlined process has been developed and responsibilities have been appropriately allocated.

SEFA

Finding 2012-2

Corrective Action:

- The controller's clerk is entering grant information now and the Controller will approve what is being entered. There have been procedure changes and all grant administrators now have been trained to follow receipts and disbursements on the software.

Finding 2012-1

Corrective Action:

- The Controller's office has met with the IT department and the software company to get the setup corrected on the software. There has been extra training on the software and balancing the funds. The Controller has done an audit on the credit card transactions in the building commissioner's office and it has been corrected. The payroll deduction issues have been backed up and sent to the software company to fix their errors.



Community Development State Board of Accounts Findings

Community Development had two “findings” from the State Board of Accounts 2012 Audit.

Finding 2012-4

Community Development honored the past mayor’s commitment to Miller-Valentine to fund a portion of the Lofts at Roberts project using HOME dollars. Request for Proposals (RFP’s) were not advertised nor was an Advisory Committee used due to the dollars already being committed to the developer.

Corrective Action:

- The Community Development Office will include documentation in their policies and procedures to either accept or refuse the promissory documents from former or current administrations or CD directors. This will be based on whether the developer already holds title or a letter of commitment for a property, and will be based on completion of a Request for Proposals (RFP). In this case, a documented commitment for \$1.2 million was given to Miller-Valentine Residential Development, LLC (Developer) by former Mayor Sharon McShurley for funds for the Lofts at Roberts in September 2011. Subsequent meetings with Mayor Tyler, the Developer and CD Staff (respectively) confirmed this commitment. Included in the original commitment of \$1.2 million was a \$200,000 commitment of HOME Funds. As a result and at the advice of Muncie’s HUD Representative, an Advisory Committee was formed, including the CD Director, HOME Coordinator, Historic Preservation Officer and one outside reviewer. This was an awkward procedure that was disclosed at every step with Mayor Tyler, Muncie’s HUD Representative Aaron Bailey, and Peter Schwiegart of Miller-Valentine. The Developer needed commitments from several sources as a requirement for 2011 New Markets Tax Credits points in their application. Miller-Valentine was successful in receiving tax credits in 2012, although they had already made a commitment and started working in the former Roberts Hotel structure in the previous year.

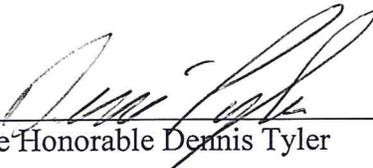
Finding 2012-3

IHCDA contacted our office about awarding us two grants for weatherization (HD-011-002 & HD-011-003). They would administer and monitor these grants with our approval. IHCDA would produce claim documentation for us to “sign off on”. IHCDA then generated 2-party checks made out to the City of Muncie and the contractor. Our office would endorse the check then forward it to the contractor. No money filtered in or out of the City’s bank account.

We acknowledged in our 2011 audit that due to a 2-party check generated on 2-1-12 an additional finding would be prompted in regards to this issue.

Corrective Action:

- Community Development will no longer accept grants on this basis. However, these grants are not complete at this time. We have given IHCDA our direct deposit information for further transactions.



The Honorable Dennis Tyler
Mayor

7-29-13
Date



Terry Whitt Bailey
Community Development Director

7/24/13
Date

CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2013, with Dennis Tyler, Mayor; Audrey Jones, Controller; Anna Quirk, City Attorney; Roger Overbey, member of the Board of Public Works and Safety; Nora Powell, member of the Common Council; Doug Marshall, member of the Common Council; Nikki Grigsby, Muncie Sanitary District Administration; Deborah Ervin, Financial Manager; and Bill Smith, President of the Board of Sanitary Commissioners. The Official Response has been made a part of this report and may be found on page 72.



City of MUNCIE
MUNCIE, INDIANA

8/6/2013

State board of Accounts 2012 Comments

BANK ACCOUNT RECONCILIATIONS

Concerning bank account reconciliations, financial activity was misconstrued due to lack of internal controls and software errors. Prior to current staff and administration, a revision of internal accounting system was implemented and changed and was done so in a manner that was inconsistent to the needs and proper management by controller and accounting personnel. This resulted in a misperception between expense/revenue accounts and cash balances. Modifications in software setup has amended the problem as to convey proper debit/crediting of cash flow.

In addition, inadequate training of appropriate personnel resulted in a premature live launching of software. As a result bank statements were not appropriately reconciled, specifically within the building commissioner's office as it pertained to online statements. Internal software was also not reporting payroll deductions correctly as of May 2013.

ANNUAL REPORT

Information contained in the annual report was derived directly from cash reports. As software was disposed to account on an accrual basis as opposed to a cash basis, this resulted in in reported differences as it pertains to cash debit and cash credit. Trust accounts for the Muncie Sanitary district and the manner in which they contended with has been amended and statements will be updated per receipt of statements.

OVERDRAWN CASH BALANCES

During 2012 fiscal year overdrawn cash balance funds were not approved by appropriate governmental bodies during the budget process. These budgets are subject to the circuit breaker, resulting in the declination of tax revenue due to appropriate credits. Current budgets are now currently calculated for these payments.