

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, 2011 to December 31, 2011



FILED
09/14/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Mary Ann Kratochvil, CPA Audrey Jones	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Mayor	Sharon McShurley Dennis Tyler	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Harold Mason John Quirk	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	Robert S. Marshall Jerry Dishman	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of Sanitary Commissioners	Tom Bennington	01-01-11 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Muncie (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 2012, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

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.

This report is intended solely for the information and use of the City's management, Board of Public Works and Safety, Common Council, Board of Sanitary Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2012



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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 the financial statement of the City of Muncie (City), for the year ended December 31, 2011, and have issued our report thereon dated August 14, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings 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.

This report is intended solely for the information and use of the City's management, Board of Public Works and Safety, Common Council, Board of Sanitary Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2012

FINANCIAL STATEMENT

The financial statement was prepared by management of the City. The 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, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 3,747,913	\$ 25,785,397	\$ 22,433,925	\$ 7,099,385
Motor Vehicle Highway	966,998	3,156,933	3,224,724	899,207
Local Road And Street	654,614	891,155	882,952	662,817
Parking Meter	102,914	13,933	-	116,847
Economic Development Operating	34,119	1,000	-	35,119
Clerk's Records Perpetuation	58,660	8,883	6,520	61,023
Parks And Recreation	191,912	1,333,007	1,012,332	512,587
Rainy Day	602,793	-	64,474	538,319
City Excess Levy	71,726	-	71,726	-
Cumulative Capital Improvement Cigarette Tax	-	193,643	93,660	99,983
Center Township Revenue	-	375,000	-	375,000
Police Pension	2,964,031	3,549,034	3,693,346	2,819,719
Fire Pension	1,207,790	2,796,249	3,902,504	101,535
Bond Revenue/Tuhey Pool	-	1,981,768	1,981,768	-
MPD Reserves Grant	-	1,600	-	1,600
Land Bank	-	42,625	1,842	40,783
CD FY11 CDBG Program	-	580,490	579,517	973
CD FY09 Home program	-	280,373	280,373	-
CD FY11 Home Program	-	304,239	304,239	-
Victim Advocate 2011-2012	-	35,928	36,059	(131)
Fuel Surcharge	-	894	-	894
MFD Radio and Mobile Unit	-	41,103	-	41,103
MPD Stop Domestic Violence 2011	-	18,253	18,253	-
MPD OPO/BCC 2011-2012	-	22,499	15,049	7,450
MPD DUI 2011-2012	-	9,375	6,006	3,369
MPD JAG Grant 2010	-	59,189	26,635	32,554
MPD JAG 2011	-	24,638	22,174	2,464
Historic Preservation	-	2,008	1,781	227
Historic Preservation Education	-	200	200	-
Indiana NSP Grant	-	1,188,716	1,189,094	(378)
Historic Preservation	-	49,673	49,673	-
NSP 3 HUD Grant	-	22,482	22,482	-
Muncie Endurathon Grant	-	30,000	733	29,267
Park Dept Phase II Spray Pool	-	75,000	-	75,000
MPD Stop Domestic Violence 2011	-	-	11,871	(11,871)
Regions Bank Indiana Stamping Bond	-	400,000	400,000	-
Cemetery Operating	79,735	364,112	312,653	131,194
Probation	108,724	60,244	96,970	71,998
Energy Grant	21,962	568,575	590,537	-
CD FY10 Home Program	4	433,541	433,545	-
Victim Advocate 2010-2011	515	52,239	52,754	-
Park Grant/Ball Foundation	50,000	-	50,000	-
CD FY10 CDBG Program	-	718,951	718,951	-
MPD Stop Domestic Violence 2010	(13,771)	18,461	4,690	-
Park Grant	2,222	-	-	2,222
MPD DUI 2010-2011	6,855	28,125	34,980	-
MPD Jag 2009	34,669	-	-	34,669
Cops Hiring Recovery	61,770	276,417	276,417	61,770
MPD Opo/Bcc 2010-2011	10,070	68,749	78,819	-
MPD DDE 2010-2011	1,145	16,875	18,020	-
Police Donation	41	4,000	-	4,041
Prairie Creek Reservoir	99,356	574,443	589,116	84,683
Arborist License	400	4,849	3,192	2,057
Park Non-Reverting	16,530	3,300	8,397	11,433
Park Dept-Bert Whitely	10,670	3,168	3,759	10,079
Beech Grove Cum Bldg Maint	24,789	24,131	49,701	(781)
MPD Smart Team	46	-	46	-
MPD Interdiction	1,490	-	-	1,490
MPD Lebg Safety Vest Grant	13,164	5,401	16,459	2,106
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, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
MPD Uniform Forfeiture	300	91	91	300
MPD Dare	6,127	-	-	6,127
MPD K-9 Special Olympics	1,941	1,000	144	2,797
MPD Traffic Division	32,059	60,345	49,635	42,769
MPD Arson Investigations	9,840	-	-	9,840
MPD Police Training	25,550	19,032	17,597	26,985
Law Enforcement Continuing Ed	61,468	71,460	45,781	87,147
Fire Department Donations	28,629	20,550	22,143	27,036
Fire Dept Smoke Alarms	514	-	-	514
Mun-Del- Haz-Mat- Team	171	-	-	171
Animal Shelter Donation	12,735	5,278	2,812	15,201
Rails To Trails Project	-	42,611	42,611	-
Environmental Enhancement	232,650	544	-	233,194
MPD JAG 2006 Grant	2	-	2	-
CD Grants Other (Non-Hud)	286	-	193	93
Alarm Ordinance	10,660	1,906	10,613	1,953
Tif Central City	609,862	271,866	203,067	678,661
Redevelopment Tech Park	605,282	257,697	625,000	237,979
Revevelopment Commission	59,258	297,235	267,428	89,065
Industrial Develop Revolving Loan	211,942	294,550	153,997	352,495
Redevelopment Comm Other Prjs	243,987	212,283	85,090	371,180
Taxable Tax Inc & Economic Income	123	596,251	596,250	124
CD Misc.Non-Hud	319	-	319	-
CD FY08 CDBG Program	-	3,847	3,847	-
CD Unsafe Building Fund	36,385	57,873	42,502	51,756
CD FY08 Home Program	-	5,000	5,000	-
Park White River Beautification	224	-	-	224
Park Beautification Program	225	-	-	225
Fire Safety & Equipment	532	-	-	532
Drug Task Force Federal Forfeiture	175,202	807	46,549	129,460
Community Development/Nsp Grant	6	597,440	597,446	-
Adult Probation Services Fees	66,335	19,055	-	85,390
MPD Jag 2008	10,000	-	10,000	-
MPD Jag Recovery 2009	15,705	-	15,705	-
CDBG-R Hud Grant	-	136,889	136,889	-
CD FY09 CDBG Program	-	92,112	92,185	(73)
CD Demolition Co-Pay Fund	-	12,198	12,198	-
City Bond General Sinking	(1,290)	44,501	52,560	(9,349)
MVH Principal and Interest	4,071	-	4,071	-
Redevelopment Comm/Facade	177,174	170,134	170,000	177,308
E.D.I.T.	1,612,635	1,855,690	3,277,837	190,488
Urban Development	672	160,278	181,171	(20,221)
Health Insurance	960,872	7,915,266	7,724,402	1,151,736
Beech Grove Thompson Trust	9,749	18	-	9,767
Beech Grove Cemetery Trust	37,588	372	12,314	25,646
Beech Grove Grace Maring	56,274	131	-	56,405
Beech Grove Hardin Rhoads	30,451	38	4,050	26,439
Redevelopment Comm/Allocation	2,422,828	1,404,737	811,025	3,016,540
Payroll	460,206	26,802,652	26,771,875	490,983
Insurance-Other	674,113	22,091	-	696,204
Beech Grove Pre-Need	132,559	12,388	-	144,947
User Fee Law Enforcement Education	43,991	12,108	12,108	43,991
Collection Agency Parking Violation	55	-	-	55
Security Deposit	3,300	10,195	6,647	6,848
Tif Muncie Mall	-	1,404,672	1,404,672	-
Court Cost Due County	-	86,242	86,242	-
City Court	149,304	842,207	918,549	72,962
Cabin Rental Deposits	560	18,000	17,360	1,200
Emergency Shelter	-	42,055	42,055	-
Sanitation	2,284,013	5,876,915	6,016,883	2,144,045
Cumulative Building and Sinking	-	630,262	405,180	225,082

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, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Reserve Operating and Maintenance	137,797	24,249	-	162,046
Revolving Sanitary Sewer Construction	-	36,294	-	36,294
Reserve Bond 2007 Operating and Maint	1	-	-	1
Storm Water Bond and Interest	182,444	364,397	362,998	183,843
Jake's Creek interest	155,250	310,500	310,500	155,250
MSD Jake's Creek Bond	666,436	6,596	327,965	345,067
Storm Water Grant	366,827	7	198,360	168,474
MSD New Equipment	600,000	200,000	665,500	134,500
SRLF WWTP	-	71,859	71,859	-
Sewage Works Sinking	112,834	2,432,800	2,532,884	12,750
Sewage Debt Service Reserve	2,535,558	360,000	-	2,895,558
Storm Water Bond Payment	68,706	420,000	366,397	122,309
Storm Water Fee/Del Co	698,662	589,373	837,577	450,458
Recycling	-	49,719	-	49,719
Sanitary Levy Excess	22,020	-	22,020	-
P2 Grant Shopping Bags	4,106	-	4,106	-
Diabetes Sharps Grant	223	-	223	-
Clean Up Race Track	62,966	-	43,155	19,811
Rainy Day-MSD	64,249	-	-	64,249
5 Year Planned Replacement	255,962	-	-	255,962
Sewage General	1,850	13,111,961	12,435,881	677,930
Totals	<u>\$ 28,596,814</u>	<u>\$ 114,867,495</u>	<u>\$ 112,856,438</u>	<u>\$ 30,607,871</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, storm water, trash, 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. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

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. Subsequent Events

In 2012, the City purchased a new fire truck through a lease agreement in the amount of \$853,258. The Muncie Sanitary District purchased three vehicles through a lease agreement in the amount of \$695,900.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 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, 2011

	General Fund	Motor Vehicle Highway	Local Road And Street	Parking Meter	Economic Development Operating	Clerk's Records Perpetuation
Cash and investments - beginning	\$ 3,747,913	\$ 966,998	\$ 654,614	\$ 102,914	\$ 34,119	\$ 58,660
Receipts:						
Taxes	18,435,157	1,095,419	-	-	-	-
Licenses and permits	343,589	17,910	-	-	-	-
Intergovernmental	5,125,430	1,823,183	533,768	-	-	-
Charges for services	275,000	14,975	-	13,933	-	8,883
Fines and forfeits	376,562	37,680	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,229,659	167,766	357,387	-	1,000	-
Total receipts	25,785,397	3,156,933	891,155	13,933	1,000	8,883
Disbursements:						
Personal services	17,416,246	1,052,205	-	-	-	-
Supplies	502,133	384,579	-	-	-	-
Other services and charges	4,318,155	1,787,940	882,952	-	-	6,520
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	4,943	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	192,448	-	-	-	-	-
Total disbursements	22,433,925	3,224,724	882,952	-	-	6,520
Excess (deficiency) of receipts over disbursements	3,351,472	(67,791)	8,203	13,933	1,000	2,363
Cash and investments - ending	\$ 7,099,385	\$ 899,207	\$ 662,817	\$ 116,847	\$ 35,119	\$ 61,023

CITY OF MUNCIE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Parks And Recreation	Rainy Day	City Excess Levy	Cumulative Capital Improvement Cigarette Tax	Center Township Revenue	Police Pension
Cash and investments - beginning	\$ 191,912	\$ 602,793	\$ 71,726	\$ -	\$ -	\$ 2,964,031
Receipts:						
Taxes	552,720	-	-	-	-	3,475,464
Licenses and permits	-	-	-	-	-	-
Intergovernmental	525,025	-	-	193,643	-	15,549
Charges for services	18,985	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	236,277	-	-	-	375,000	58,021
Total receipts	1,333,007	-	-	193,643	375,000	3,549,034
Disbursements:						
Personal services	556,349	-	-	-	-	3,687,234
Supplies	72,440	-	-	-	-	428
Other services and charges	347,035	9,874	-	93,660	-	5,684
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	35,204	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,304	54,600	71,726	-	-	-
Total disbursements	1,012,332	64,474	71,726	93,660	-	3,693,346
Excess (deficiency) of receipts over disbursements	320,675	(64,474)	(71,726)	99,983	375,000	(144,312)
Cash and investments - ending	\$ 512,587	\$ 538,319	\$ -	\$ 99,983	\$ 375,000	\$ 2,819,719

CITY OF MUNCIE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Fire Pension	Bond Revenue/Tuhey Pool	MPD Reserves Grant	Land Bank	CD FY11 CDBG Program	CD FY09 Home Program
Cash and investments - beginning	\$ 1,207,790	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	2,763,166	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	1,600	42,625	549,547	280,373
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	33,083	1,981,768	-	-	30,943	-
Total receipts	<u>2,796,249</u>	<u>1,981,768</u>	<u>1,600</u>	<u>42,625</u>	<u>580,490</u>	<u>280,373</u>
Disbursements:						
Personal services	3,902,045	-	-	-	78,423	-
Supplies	459	-	-	-	2,250	-
Other services and charges	-	1,981,768	-	1,842	2,593	280,373
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	496,251	-
Total disbursements	<u>3,902,504</u>	<u>1,981,768</u>	<u>-</u>	<u>1,842</u>	<u>579,517</u>	<u>280,373</u>
Excess (deficiency) of receipts over disbursements	<u>(1,106,255)</u>	<u>-</u>	<u>1,600</u>	<u>40,783</u>	<u>973</u>	<u>-</u>
Cash and investments - ending	<u>\$ 101,535</u>	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 40,783</u>	<u>\$ 973</u>	<u>\$ -</u>

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	CD FY11 Home Program	Victim Advocate 2011-2012	Fuel Surcharge	MFD Radio and Mobile Unit	MPD Stop Domestic Violence 2011	MPD OPO/BCC 2011-2012
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	304,239	17,650	-	41,103	18,253	22,499
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	894	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	18,278	-	-	-	-
Total receipts	304,239	35,928	894	41,103	18,253	22,499
Disbursements:						
Personal services	24,853	35,960	-	-	12,541	9,742
Supplies	-	-	-	-	-	-
Other services and charges	279,386	-	-	-	5,712	5,307
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	99	-	-	-	-
Total disbursements	304,239	36,059	-	-	18,253	15,049
Excess (deficiency) of receipts over disbursements	-	(131)	894	41,103	-	7,450
Cash and investments - ending	\$ -	\$ (131)	\$ 894	\$ 41,103	\$ -	\$ 7,450

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	MPD DUI 2011-2012	MPD JAG Grant 2010	MPD JAG 2011	Historic Preservation	Historic Preservation Education	Indiana NSP Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	9,375	59,189	24,638	1,800	200	1,188,716
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	208	-	-
Total receipts	<u>9,375</u>	<u>59,189</u>	<u>24,638</u>	<u>2,008</u>	<u>200</u>	<u>1,188,716</u>
Disbursements:						
Personal services	4,053	-	-	-	-	7,207
Supplies	-	-	-	-	-	-
Other services and charges	1,953	26,635	22,174	1,781	200	1,181,887
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>6,006</u>	<u>26,635</u>	<u>22,174</u>	<u>1,781</u>	<u>200</u>	<u>1,189,094</u>
Excess (deficiency) of receipts over disbursements	<u>3,369</u>	<u>32,554</u>	<u>2,464</u>	<u>227</u>	-	(378)
Cash and investments - ending	<u>\$ 3,369</u>	<u>\$ 32,554</u>	<u>\$ 2,464</u>	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ (378)</u>

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Historic Preservation	NSP 3 HUD Grant	Muncie Endurathon Grant	Park Department Phase II Spray Pool	MPD Stop Domestic Violence 2011	Regions Bank Indiana Stamping Bond
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	49,673	22,482	30,000	75,000	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	400,000
Total receipts	<u>49,673</u>	<u>22,482</u>	<u>30,000</u>	<u>75,000</u>	<u>-</u>	<u>400,000</u>
Disbursements:						
Personal services	-	22,482	-	-	11,713	-
Supplies	-	-	-	-	-	-
Other services and charges	49,673	-	733	-	158	94,701
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	305,299
Total disbursements	<u>49,673</u>	<u>22,482</u>	<u>733</u>	<u>-</u>	<u>11,871</u>	<u>400,000</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>29,267</u>	<u>75,000</u>	<u>(11,871)</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,267</u>	<u>\$ 75,000</u>	<u>\$ (11,871)</u>	<u>\$ -</u>

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Cemetery Operating	Probation	Energy Grant	CD FY10 Home Program	Victim Advocate 2010-2011	Park Grant/Ball Foundation
Cash and investments - beginning	\$ 79,735	\$ 108,724	\$ 21,962	\$ 4	\$ 515	\$ 50,000
Receipts:						
Taxes	218,407	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,885	-	558,200	433,541	52,239	-
Charges for services	140,354	-	-	-	-	-
Fines and forfeits	-	60,244	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,466	-	10,375	-	-	-
Total receipts	364,112	60,244	568,575	433,541	52,239	-
Disbursements:						
Personal services	257,542	-	-	40,475	29,227	-
Supplies	29,336	-	-	-	-	-
Other services and charges	25,775	-	590,537	393,070	5,249	50,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	96,970	-	-	18,278	-
Total disbursements	312,653	96,970	590,537	433,545	52,754	50,000
Excess (deficiency) of receipts over disbursements	51,459	(36,726)	(21,962)	(4)	(515)	(50,000)
Cash and investments - ending	\$ 131,194	\$ 71,998	\$ -	\$ -	\$ -	\$ -

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	CD FY10 CDBG Program	MPD Stop Domestic Violence 2010	Park Grant	MPD DUI 2010-2011	MPD Jag 2009	Cops Hiring Recovery
Cash and investments - beginning	\$ -	\$ (13,771)	\$ 2,222	\$ 6,855	\$ 34,669	\$ 61,770
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	708,276	18,253	-	28,125	-	276,417
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	10,675	208	-	-	-	-
Total receipts	718,951	18,461	-	28,125	-	276,417
Disbursements:						
Personal services	183,087	901	-	8,488	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	3,789	-	16,466	-	276,417
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	535,864	-	-	10,026	-	-
Total disbursements	718,951	4,690	-	34,980	-	276,417
Excess (deficiency) of receipts over disbursements	-	13,771	-	(6,855)	-	-
Cash and investments - ending	\$ -	\$ -	\$ 2,222	\$ -	\$ 34,669	\$ 61,770

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	MPD Opo/Bcc 2010-2011	MPD DDE 2010-2011	Police Donation	Prairie Creek Reservoir	Arborist License	Park Non-Reverting
Cash and investments - beginning	\$ 10,070	\$ 1,145	\$ 41	\$ 99,356	\$ 400	\$ 16,530
Receipts:						
Taxes	-	-	-	1,928	-	-
Licenses and permits	-	-	-	-	4,671	-
Intergovernmental	68,749	16,875	-	11,000	-	-
Charges for services	-	-	-	554,502	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	4,000	7,013	178	3,300
Total receipts	68,749	16,875	4,000	574,443	4,849	3,300
Disbursements:						
Personal services	19,782	4,920	-	350,490	-	-
Supplies	-	-	-	89,680	-	-
Other services and charges	28,966	10,065	-	137,459	3,192	8,397
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	9,749	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	30,071	3,035	-	1,738	-	-
Total disbursements	78,819	18,020	-	589,116	3,192	8,397
Excess (deficiency) of receipts over disbursements	(10,070)	(1,145)	4,000	(14,673)	1,657	(5,097)
Cash and investments - ending	\$ -	\$ -	\$ 4,041	\$ 84,683	\$ 2,057	\$ 11,433

CITY OF MUNCIE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Park Dept-Bert Whitely	Beech Grove Cum Bldg Maint	MPD Smart Team	MPD Interdiction	MPD Lebg Safety Vest Grant	Drug Task Force Forfeiture
Cash and investments - beginning	\$ 10,670	\$ 24,789	\$ 46	\$ 1,490	\$ 13,164	\$ 9,623
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	5,401	-
Charges for services	-	21,507	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,168	2,624	-	-	-	-
Total receipts	3,168	24,131	-	-	5,401	-
Disbursements:						
Personal services	-	26,508	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	3,759	23,193	46	-	16,459	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	3,759	49,701	46	-	16,459	-
Excess (deficiency) of receipts over disbursements	(591)	(25,570)	(46)	-	(11,058)	-
Cash and investments - ending	\$ 10,079	\$ (781)	\$ -	\$ 1,490	\$ 2,106	\$ 9,623

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	MPD Uniform Forfeiture	MPD Dare	MPD K-9 Special Olympics	MPD Traffic Division	MPD Arson Investigations	MPD Police Training
Cash and investments - beginning	\$ 300	\$ 6,127	\$ 1,941	\$ 32,059	\$ 9,840	\$ 25,550
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	910
Intergovernmental	-	-	-	3,600	-	-
Charges for services	-	-	-	17,700	-	14,260
Fines and forfeits	91	-	-	-	-	3,813
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,000	39,045	-	49
Total receipts	91	-	1,000	60,345	-	19,032
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	91	-	144	5,524	-	17,597
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	44,111	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	91	-	144	49,635	-	17,597
Excess (deficiency) of receipts over disbursements	-	-	856	10,710	-	1,435
Cash and investments - ending	\$ 300	\$ 6,127	\$ 2,797	\$ 42,769	\$ 9,840	\$ 26,985

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Law Enforcement Continuing Ed	Fire Department Donations	Fire Dept Smoke Alarms	Mun-Del- Haz-Mat- Team	Animal Shelter Donation	Rails To Trails Project
Cash and investments - beginning	\$ 61,468	\$ 28,629	\$ 514	\$ 171	\$ 12,735	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	18,024	-	-	-	-	-
Intergovernmental	-	-	-	-	-	42,611
Charges for services	28,330	-	-	-	-	-
Fines and forfeits	25,105	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1	20,550	-	-	5,278	-
Total receipts	71,460	20,550	-	-	5,278	42,611
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	45,781	22,143	-	-	2,812	42,611
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	45,781	22,143	-	-	2,812	42,611
Excess (deficiency) of receipts over disbursements	25,679	(1,593)	-	-	2,466	-
Cash and investments - ending	\$ 87,147	\$ 27,036	\$ 514	\$ 171	\$ 15,201	\$ -

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Environmental Enhancement	MPD JAG 2006 Grant	CD Grants Other (Non-Hud)	Alarm Ordinance	Tif Central City	Redevelopment Tech Park
Cash and investments - beginning	\$ 232,650	\$ 2	\$ 286	\$ 10,660	\$ 609,862	\$ 605,282
Receipts:						
Taxes	-	-	-	-	269,846	149,107
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	107,454
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	1,906	-	-
Utility fees	-	-	-	-	-	-
Other receipts	544	-	-	-	2,020	1,136
Total receipts	544	-	-	1,906	271,866	257,697
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	193	10,613	203,067	625,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	2	-	-	-	-
Total disbursements	-	2	193	10,613	203,067	625,000
Excess (deficiency) of receipts over disbursements	544	(2)	(193)	(8,707)	68,799	(367,303)
Cash and investments - ending	\$ 233,194	\$ -	\$ 93	\$ 1,953	\$ 678,661	\$ 237,979

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Revevelopment Commission	Industrial Develop Revolving Loan	Redevelopment Comm Other Prjs	Taxable Tax Inc & Economic Income	CD Misc. Non-Hud	CD FY08 CDBG Program
Cash and investments - beginning	\$ 59,258	\$ 211,942	\$ 243,987	\$ 123	\$ 319	\$ -
Receipts:						
Taxes	-	-	212,275	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,847
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	297,235	294,550	8	596,251	-	-
Total receipts	297,235	294,550	212,283	596,251	-	3,847
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	9,650	22,766	6,060	-	319	-
Debt service - principal and interest	187,464	-	-	596,250	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	70,314	131,231	79,030	-	-	3,847
Total disbursements	267,428	153,997	85,090	596,250	319	3,847
Excess (deficiency) of receipts over disbursements	29,807	140,553	127,193	1	(319)	-
Cash and investments - ending	\$ 89,065	\$ 352,495	\$ 371,180	\$ 124	\$ -	\$ -

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	CD Unsafe Building Fund	CD FY08 Home Program	Park White River Beautification	Park Beautification Program	Fire Safety & Equipment	Drug Task Force Federal Forfeiture
Cash and investments - beginning	\$ 36,385	\$ -	\$ 224	\$ 225	\$ 532	\$ 175,202
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	5,000	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	57,873	-	-	-	-	807
Total receipts	57,873	5,000	-	-	-	807
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	42,502	5,000	-	-	-	46,549
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	42,502	5,000	-	-	-	46,549
Excess (deficiency) of receipts over disbursements	15,371	-	-	-	-	(45,742)
Cash and investments - ending	\$ 51,756	\$ -	\$ 224	\$ 225	\$ 532	\$ 129,460

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Community Development/Nsp Grant	Adult Probation Services Fees	MPD Jag 2008	MPD Jag Recovery 2009	CDBG-R Hud Grant	CD FY09 CDBG Program
Cash and investments - beginning	\$ 6	\$ 66,335	\$ 10,000	\$ 15,705	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	597,440	-	-	-	136,889	89,961
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	19,055	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	2,151
Total receipts	597,440	19,055	-	-	136,889	92,112
Disbursements:						
Personal services	47,299	-	-	-	3,202	-
Supplies	-	-	-	-	-	-
Other services and charges	550,147	-	10,000	15,705	133,687	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	92,185
Total disbursements	597,446	-	10,000	15,705	136,889	92,185
Excess (deficiency) of receipts over disbursements	(6)	19,055	(10,000)	(15,705)	-	(73)
Cash and investments - ending	\$ -	\$ 85,390	\$ -	\$ -	\$ -	\$ (73)

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	CD Demolition Co-Pay Fund	City Bond General Sinking	MVH Principal and Interest	Redevelopment Comm/Facade	E.D.I.T.	Urban Development
Cash and investments - beginning	\$ -	\$ (1,290)	\$ 4,071	\$ 177,174	\$ 1,612,635	\$ 672
Receipts:						
Taxes	-	43,895	-	-	1,216,286	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	603	-	-	-	159,228
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	12,198	3	-	170,134	639,404	1,050
Total receipts	12,198	44,501	-	170,134	1,855,690	160,278
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	12,198	-	-	-	997,983	181,171
Debt service - principal and interest	-	52,560	4,071	-	300,000	-
Capital outlay	-	-	-	-	658,544	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	170,000	1,321,310	-
Total disbursements	12,198	52,560	4,071	170,000	3,277,837	181,171
Excess (deficiency) of receipts over disbursements	-	(8,059)	(4,071)	134	(1,422,147)	(20,893)
Cash and investments - ending	\$ -	\$ (9,349)	\$ -	\$ 177,308	\$ 190,488	\$ (20,221)

CITY OF MUNCIE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Health Insurance	Beech Grove Thompson Trust	Beech Grove Cemetery Trust	Beech Grove Grace Maring	Beech Grove Hardin Rhoads	Redevelopment Comm/Allocation
Cash and investments - beginning	\$ 960,872	\$ 9,749	\$ 37,588	\$ 56,274	\$ 30,451	\$ 2,422,828
Receipts:						
Taxes	-	-	-	-	-	1,404,672
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	7,915,266	18	372	131	38	65
Total receipts	7,915,266	18	372	131	38	1,404,737
Disbursements:						
Personal services	7,724,402	-	-	-	-	-
Supplies	-	-	-	-	4,050	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	596,250
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	12,314	-	-	214,775
Total disbursements	7,724,402	-	12,314	-	4,050	811,025
Excess (deficiency) of receipts over disbursements	190,864	18	(11,942)	131	(4,012)	593,712
Cash and investments - ending	\$ 1,151,736	\$ 9,767	\$ 25,646	\$ 56,405	\$ 26,439	\$ 3,016,540

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Payroll	Insurance-Other	Beech Grove Pre-Need	User Fee Law Enforcement Education	Collection Agency Parking Violation	Security Deposit
Cash and investments - beginning	\$ 460,206	\$ 674,113	\$ 132,559	\$ 43,991	\$ 55	\$ 3,300
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	12,316	-	-	-
Fines and forfeits	-	-	-	12,108	-	-
Utility fees	-	-	-	-	-	-
Other receipts	26,802,652	22,091	72	-	-	10,195
Total receipts	26,802,652	22,091	12,388	12,108	-	10,195
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	12,108	-	6,647
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	26,771,875	-	-	-	-	-
Total disbursements	26,771,875	-	-	12,108	-	6,647
Excess (deficiency) of receipts over disbursements	30,777	22,091	12,388	-	-	3,548
Cash and investments - ending	\$ 490,983	\$ 696,204	\$ 144,947	\$ 43,991	\$ 55	\$ 6,848

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Tif Muncie Mall	Court Cost Due County	City Court	Cabin Rental Deposits	Emergency Shelter	Sanitation
Cash and investments - beginning	\$ -	\$ -	\$ 149,304	\$ 560	\$ -	\$ 2,284,013
Receipts:						
Taxes	1,404,260	-	-	-	-	4,636,903
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	42,055	914,597
Charges for services	-	-	-	18,000	-	-
Fines and forfeits	-	86,242	842,049	-	-	-
Utility fees	-	-	-	-	-	43,664
Other receipts	412	-	158	-	-	281,751
Total receipts	1,404,672	86,242	842,207	18,000	42,055	5,876,915
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,404,672	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	36,688
Utility operating expenses	-	-	-	-	-	5,978,821
Other disbursements	-	86,242	918,549	17,360	42,055	1,374
Total disbursements	1,404,672	86,242	918,549	17,360	42,055	6,016,883
Excess (deficiency) of receipts over disbursements	-	-	(76,342)	640	-	(139,968)
Cash and investments - ending	\$ -	\$ -	\$ 72,962	\$ 1,200	\$ -	\$ 2,144,045

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Cumulative Building and Sinking	Reserve Operating and Maintenance	Revolving Sanitary Sewer Construction	Reserve Bond 2007 Operating and Maint	Storm Water Bond and Interest	Jake's Creek Interest
Cash and investments - beginning	\$ -	\$ 137,797	\$ -	\$ 1	\$ 182,444	\$ 155,250
Receipts:						
Taxes	612,226	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	10,972	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	4,348	-	36,294	-	-	-
Other receipts	<u>2,716</u>	<u>24,249</u>	<u>-</u>	<u>-</u>	<u>364,397</u>	<u>310,500</u>
Total receipts	<u>630,262</u>	<u>24,249</u>	<u>36,294</u>	<u>-</u>	<u>364,397</u>	<u>310,500</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	405,180	-	-	-	362,998	310,500
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>405,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,998</u>	<u>310,500</u>
Excess (deficiency) of receipts over disbursements	<u>225,082</u>	<u>24,249</u>	<u>36,294</u>	<u>-</u>	<u>1,399</u>	<u>-</u>
Cash and investments - ending	<u>\$ 225,082</u>	<u>\$ 162,046</u>	<u>\$ 36,294</u>	<u>\$ 1</u>	<u>\$ 183,843</u>	<u>\$ 155,250</u>

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	MSD Jake's Creek Bond	Storm Water Grant	MSD New Equipment	SRLF WWTP	Sewage Works Sinking	Sewage Debt Service Reserve
Cash and investments - beginning	\$ 666,436	\$ 366,827	\$ 600,000	\$ -	\$ 112,834	\$ 2,535,558
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	71,859	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	6,596	7	200,000	-	2,432,800	360,000
Total receipts	6,596	7	200,000	71,859	2,432,800	360,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	2,532,884	-
Capital outlay	-	-	15,500	-	-	-
Utility operating expenses	327,965	198,360	-	71,859	-	-
Other disbursements	-	-	650,000	-	-	-
Total disbursements	327,965	198,360	665,500	71,859	2,532,884	-
Excess (deficiency) of receipts over disbursements	(321,369)	(198,353)	(465,500)	-	(100,084)	360,000
Cash and investments - ending	\$ 345,067	\$ 168,474	\$ 134,500	\$ -	\$ 12,750	\$ 2,895,558

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Storm Water Bond Payment	Storm Water Fee/Del Co	Recycling	Sanitary Levy Excess	P2 Grant Shopping Bags	Diabetes Sharps Grant
Cash and investments - beginning	\$ 68,706	\$ 698,662	\$ -	\$ 22,020	\$ 4,106	\$ 223
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	488,946	49,400	-	-	-
Other receipts	420,000	100,427	319	-	-	-
Total receipts	420,000	589,373	49,719	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	366,397	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	417,577	-	-	-	-
Other disbursements	-	420,000	-	22,020	4,106	223
Total disbursements	366,397	837,577	-	22,020	4,106	223
Excess (deficiency) of receipts over disbursements	53,603	(248,204)	49,719	(22,020)	(4,106)	(223)
Cash and investments - ending	\$ 122,309	\$ 450,458	\$ 49,719	\$ -	\$ -	\$ -

CITY OF MUNCIE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

	Clean Up Race Track	Rainy Day-MSD	5 Year Planned Replacement	Sewage General	Totals
Cash and investments - beginning	\$ 62,966	\$ 64,249	\$ 255,962	\$ 1,850	\$ 28,596,814
Receipts:					
Taxes	-	-	-	-	36,491,731
Licenses and permits	-	-	-	-	385,104
Intergovernmental	-	-	-	49,400	15,371,037
Charges for services	-	-	-	-	1,138,745
Fines and forfeits	-	-	-	-	1,465,749
Utility fees	-	-	-	12,144,646	12,767,298
Other receipts	-	-	-	917,915	47,247,831
Total receipts	-	-	-	13,111,961	114,867,495
Disbursements:					
Personal services	-	-	-	-	35,517,376
Supplies	-	-	-	-	1,085,355
Other services and charges	-	-	-	-	17,414,275
Debt service - principal and interest	-	-	-	-	4,635,876
Capital outlay	-	-	-	357,710	1,162,449
Utility operating expenses	-	-	-	9,085,370	17,158,630
Other disbursements	43,155	-	-	2,992,801	35,882,477
Total disbursements	43,155	-	-	12,435,881	112,856,438
Excess (deficiency) of receipts over disbursements	(43,155)	-	-	676,080	2,011,057
Cash and investments - ending	\$ 19,811	\$ 64,249	\$ 255,962	\$ 677,930	\$ 30,607,871

CITY OF MUNCIE
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ 2,060,808
Wastewater	<u>804,847</u>	<u>2,024,011</u>
Totals	<u>\$ 804,847</u>	<u>\$ 4,084,819</u>

CITY OF MUNCIE
SCHEDULE OF DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Downtown Façade Restoration	\$ 360,000	\$ 197,500
Revenue bonds	Indiana Stamping Project	400,000	8,378
Revenue bonds	Sallie Mae Project	4,780,000	596,250
Revenue bonds	Indiana Park District Tuhey Pool	2,000,000	91,431
Total governmental activities		7,540,000	893,559
Wastewater:			
General obligation bonds	Storm Water	4,400,000	370,497
Bond Anticipation Note	Storm Water	9,000,000	155,250
SRF Loan	Wastewater Project	9,225,000	1,027,015
SRF Loan	Wastewater Project	14,310,537	*
Total Wastewater		36,935,537	1,552,762
Totals		\$ 44,475,537	\$ 2,446,321

*A maximum draw of \$17,960,000 was approved for this loan. As of December 31, 2011, \$17,861,537 had been drawn and \$3,551,000 had been repaid. Annual debt service requirements for the loan will not be determined until the final draw down has been made on the loan.

CITY OF MUNCIE
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Clerk

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS

EDIT DISBURSEMENTS

The E.D.I.T. plan for 2011 totaled \$2,809,057; however, the Common Council did not approve appropriations for the E.D.I.T. Fund. The actual amount disbursed from the E.D.I.T. Fund totaled \$3,277,837.

In December 2011, the City of Muncie disbursed \$100,000 to the Muncie Public Library. The Muncie Public Library then disbursed the funds to the Muncie Action Plan. The check was disbursed to the Muncie Public Library because the Muncie Action Plan had not yet received their not-for-profit status. There was no contract to support these transactions.

E.D.I.T. disbursements were made without supporting contracts. The following schedule details disbursements made without a contract:

Payee	Amount Disbursed	Check Date	Supporting Documentation
Muncie Arts and Cultural	\$ 19,983	07-01-11	Claim states, "Mayor designated this amount from her EDIT funds to be used by the Arts Center"
	10,000	10-14-11	Invoice states, "Development and production of website . . ."
	100,000	12-19-11	Invoice states "Economic Development Income Tax Funds." Inspected a letter, dated November 29, 2011, to the City Controller from the payee requesting a commitment of \$100,000.
Delaware County Civic Center	135,729	08-30-11	Inspected letter from a previous Mayor pledging to assist in paying for the elevator installation when EDIT funds are available.
	135,729	12-21-11	Inspected letter from a previous Mayor pledging to assist in paying for the elevator installation when EDIT funds are available.
United Way of Delaware County	5,000	11-23-11	Invoice states "Bank On Muncie Scholarship Funds."
Muncie Public Library	100,000	12-29-11	Invoice is from Muncie Action Plan and gives no detail of what the funds are to be used for. The Muncie Public Library was used as a pass through for Muncie Action Plan (MAP) since MAP had not received their not-for-profit status.
Muncie Delaware County Economic Development (DAC)	150,000	12-29-11	Invoice consisted of a Campaign Pledge Form pledging a total of \$750,000 paid in annual increments of \$150,000.
CH Garmon and Son, Inc.	12,000	12-05-11	Invoice for disbursements at the industrial park, which is not within the city limits.

Indiana Code 36-10-2-4 allows a city or town to establish, aid, maintain and operate libraries and museums, cultural, historical and scientific facilities and programs and community service facilities and programs.

Further, Indiana Code 36-10-2-5 allows a city or town to establish, aid, maintain and operate neighborhood centers, community centers, civic centers, convention centers, auditoriums, arenas and stadiums.

If a city or town desires to fund one of the aforementioned programs or activities, a contract should be entered into setting out what services are to be provided to the city or town. (Cities and Towns Bulletin, June 2011)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-4-8-2 states:

"Warrants; conditions and purposes of issuance Sec. 2. Money may be paid out of the city treasury only on warrant of the city fiscal officer. Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if: (1) an appropriation has been made for that purpose and the appropriation is not exhausted; (2) the warrant is for a salary fixed by statute or ordinance; (3) the warrant is for a claim allowed under section 5 of this chapter; (4) he is ordered to issue the warrant under section 3 of this chapter; (5) the warrant is for payment of a judgment that the city must pay; or (6) the warrant is for interest due on city bonds."

PAVING CONTRACTS

Contract payments during 2011 for eight paving projects exceed the contract amounts by a total of \$145,920.

Change orders for the 2011 projects were approved by the Board of Public Works and Safety on September 14, 2011; however, the work was performed by the vendor prior to that date.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-1-12-18(a) states:

"If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor."

CAPITAL ASSET RECORDS

Capital asset records were not completed for the year 2011.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATED ABSENCES POLICIES

As noted in the prior Reports B37241 and B38990 and during the current audit period, paid leave policies for employees not covered by contracts and appointed exempt/confidential employees have been set in a policy handbook and in additional supplemental policies which have all been approved only by the Mayor. A total of \$32,423 was paid to department heads for compensated absences although no policy existed to support the payments.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

The Common Council approved a compensated absences policy for department heads on April 2, 2012.

Indiana Code 5-10-6-1(b) states in part: "Employees of the political subdivisions of the state may be granted a vacation with pay, sick leave, paid holidays, and other similar benefits by ordinance of the legislative body of a county, city . . ."

COMPENSATION AND BENEFITS

A review of payroll indicated some employees were not paid in accordance with the approved ordinance or resolution.

1. The Bailiff was to be paid a biweekly rate of \$1,115 according to the salary ordinance; however, he was paid a biweekly rate of \$1,088.
2. The part-time Victim Advocate employee was to be paid an hourly rate of \$13.94 according to the salary ordinance; however, she was paid an hourly rate of \$14.
3. A \$2,000 raise was given to the Engineering Director of the Muncie Sanitary District, however, approval from the Board of Sanitary Commissioners was not obtained. The salary resolution for the Muncie Sanitary District shows a salary range for some employees, including the Engineering Director, and also indicates the actual amount to be paid.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2011	\$ 306,619
Motor Vehicle Highway	2011	166,642
Parks and Recreation	2011	135,582

The Common Council approved an additional appropriation on December 4, 2011, as follows: General Fund - \$859,852; Motor Vehicle Highway - \$19,704; Local Road and Street - \$550,000; Parks and Recreation - \$11,590; Cemetery Operating - \$5,796. The additional appropriation was not approved by the Department of Local Government Finance.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

Budgets were not approved by the Common Council for the following funds: Law Enforcement Continuing Ed, Clerk's Records Perpetuation, E.D.I.T. and CD Unsafe Building Fund.

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

DEPOSITS - RIGHT-OF-WAY PERMITS

As noted in the prior report B38990 and during the current audit period, receipts were deposited later than the next business day. Receipts issued on December 9, 2011, were not deposited until December 21, 2011.

Also, a cashier's check dated July 19, 2010, in the amount of \$12,500, was found in bid files reviewed.

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

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

WEED LIEN PROCEDURES - BUILDING COMMISSIONER

Financial records presented for audit were incomplete and not reflective of the activity of the Weed Lien program. The records presented did not provide sufficient information to audit or establish beginning balances, charges, receipts, ending balances, or the accuracy or correctness of the transactions. The City was using the "Blackbear" system to account for weed lien activity until November 2011 at which time the City began using the "New World" accounting system.

The open balances (which totaled approximately \$117,000) on the "Blackbear" system were never entered onto the "New World" system. The "Blackbear" system had many entries from years past (back to the year 2000) that were apparently never collected. Also, collections received by the court were not posted to either the "Blackbear" or "New World" systems and collections received by the Building Commissioner's office were never posted to the "New World" system. This resulted in open balances which had actually been paid. The receipt numbers issued by the Controller for payment of the ordinance violations could not be traced to the "Blackbear" nor "New World" system.

The Building Commissioner Department is in violation of Ordinance 27-09, which requires:

If the Notice of Violation fine of \$75.00 is not collected or appealed within 15 days, the Office of the Building Commissioner is required to file the necessary paperwork with the City Court to begin legal proceedings. As of July 23, 2012, there are approximately 75 cases from the year 2011 that have not yet been filed with the City Clerk.

If the owner has not paid for the applicable fees and costs for mowing the property within 30 days, the Office of the Building Commissioner is required to file a lien against the property. As of July 2012, no liens have been filed on 2011 work performed.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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, Chapter 7)

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

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

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, Chapter 7)

DEPOSITS - BUILDING COMMISSIONER

A check issued for a HVAC Permit on September 14, 2011, for \$75.00 was returned by the depository on June 20, 2012, because the account had been closed. An inquiry of current procedures uncovered several checks totaling \$15,519.09 that had not been deposited and the accompanying paper work that had not been processed. Check dates ranged from September 2011 to July 2012.

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

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

ORDINANCES AND RESOLUTIONS - BEECH GROVE CEMETERY

Lot sales were not properly posted to Beech Grove Cemetery funds.

The City has a resolution concerning the recording of lot sales to be deposited in the Cumulative Building and Maintenance fund. Resolution 2-09 states in part: " . . . Beech Grove Cemetery will transfer 10% of lot sales revenue to be deposited in the Cumulative Building and Maintenance Fund . . . "

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

TOWING FEES - POLICE DEPARTMENT

The City had contracted with a local towing company. The contract provides that the company perform emergency towing and storage of motor vehicles that are improperly or illegally parked, damaged, or abandoned. The company compensated the City twenty dollars for each vehicle that was towed. The Police Department did not verify that the receipts remitted by the company were in agreement with the number of vehicles actually towed.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STORMWATER DISBURSEMENTS

The Muncie Sanitary District disbursed \$153,549 for Canan Commons. The disbursements were for the following items: new sidewalks and other concrete, trees, lawn seed, topsoil, native plantings, leaf compost, storm piping. In addition, in-kind services estimated at \$39,168, were provided by employees of the Muncie Sanitary District for demolition, earthwork, storm drainage, etc.

Authorization for three claims paid on the Canan Commons project was not provided by the appropriate department. One payment disbursed on January 28, 2011 and two payments disbursed on October 21, 2011 were not approved by the Board of Sanitary Commissioners until February 7, 2012. The claims, which totaled \$29,214.90, were approved by the Controller's office rather than the Muncie Sanitary District.

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

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

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

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

Statutory Authority

In providing the reason for these expenditures, District officials have pointed out the powers of a Board, granted under Indiana Code 36-9-25-10, which states in part:

"In performing its duties the board may do the following: . . .

- (3) Design, order, contract for, construct, reconstruct, and maintain the sewage works.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) Build or have built all roads, levees, walls, other structures, or lagoons that may be desirable in connection with sewage works and make improvements to the grounds and premises under its control, including the erection and operation of a plant for the removal of sand and gravel from the grounds."

Indiana Code 36-9-1-8 states:

"Sewage works' means:

- (1) sewage treatment plants;
- (2) intercepting sewers;
- (3) main sewers;
- (4) submain sewers;
- (5) local sewers;
- (6) lateral sewers;
- (7) outfall sewers;
- (8) storm sewers;
- (9) force mains;
- (10) pumping stations;
- (11) ejector stations;
- (12) any other structures necessary or useful for the collection, treatment, purification, and sanitary disposal of the liquid waste, solid waste, sewage, storm drainage, and other drainage of a municipality; and
- (13) for purposes of IC 36-9-25, overhead plumbing or backflow prevention devices that are financed in whole or in part through assistance provided under IC 36-9-25-42."

Some components of the project paid for by the Sanitary District do not meet the statutory definition of "sewage works."

Indiana Code 36-9-1-2 states:

"Improvement' includes the construction, equipment, remodeling, extension, repair, and betterment of structures, including:

- (1) sanitary sewers and sanitary sewer tap-ins;
- (2) sidewalks;
- (3) curbs;

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) streets;
- (5) alleys;
- (6) pedestrian-ways or malls set aside entirely or partly, or during restricted hours, for pedestrian rather than vehicular traffic;
- (7) other paved public places;
- (8) parking facilities;
- (9) lighting;
- (10) electric signals;
- (11) landscaping, including trees, shrubbery, flowers, grass, fountains, benches, statues, floodlighting, gaslighting, and structures of a decorative, educational, or historical nature;
- (12) for units that own and operate a water utility, water main extensions from the water utility; and
- (13) for units that establish and operate a department of public sanitation under IC 36-9-25, sewage works that are:
 - (A) overhead plumbing or backflow prevention devices;
 - (B) installed in private dwellings; and
 - (C) financed in whole or in part through assistance provided under IC 36-9-25-42."

As "improvement" relates to the alteration (construction, equipment, remodeling, extension, repair, and betterment) of structures, some components of the project paid for by the Sanitary District do not qualify. Additionally, Indiana Code 36-9-25-10(4) authorizes improvements to grounds and premises under the Board's control. Documents provided for audit indicate that the Parks Department owned the property which became Canan Commons.

As the authority for the Board of Sanitary Commissioners to construct sewage works on public property, district officials cite IC 36-9-25-30(a), which states:

"If the board finds it necessary to build, alter, or repair a sewer, drain, or appurtenance used in connection with sewage works in a public way or other public place in the district or a highway outside its boundaries, it shall file with the works board of the municipality, or the executive of the county in which the municipality is located, a petition and a map showing the route of the sewer or drain or the location of the structure or appurtenance proposed to be built, altered, or repaired, including the part of the public way or other public place to be used in the work. That body shall then adopt a resolution granting the board the right to use the public way or other public place."

A brief passage in the August 10, 2010 minutes of the Board of Sanitary Commissioners names the MS4 Coordinator as the District's representative on the Canan Commons Committee. No other mention of the project could be found in the minutes of meetings prior to or subsequent to August 10, 2010.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

A memorandum of understanding between the City of Muncie and Community Enhancement Projects, Inc., dated July 21, 2010, pledges Sanitary District funds for the project by stating, in part: "WHEREAS, Muncie Parks Department owns the property and the Muncie Sanitary District through its storm water management program has money to develop a portion of the property . . . " Community Enhancement Projects, Inc., per the memorandum, was to locate, recommend and fund the compensation of a Construction Manager or General Contractor for the project.

A copy of the contract for Canan Commons presented for audit is signed by the Mayor and by the District's MS4 Coordinator. The contract was approved by the Board of Public Works and Safety on September 29, 2010. The Board of Sanitary Commissioners did not sign the contract.

All reasons presented in support of the expenditures in question are based upon various statutes authorizing the Board of Sanitary Commissioners to take action (to design, order, contract for, construct, reconstruct, maintain, build, have built, make improvements or alter). However, the record reflects that the Board did nothing but appoint an employee to a committee and authorize payments for the work, well after payment had been made, in some cases.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

We recommend that District officials expend funds only for those purposes allowed, and in the manner allowed, by statute.

MUNCIE SANITARY DISTRICT SEWAGE RATES - APPROVAL BY THE COMMON COUNCIL

As noted in prior Reports B32459, B34925, B37241, B38990 and during the current audit period, the Wastewater rates in effect for charges billed to Muncie Sanitary District Wastewater Utility customers in 2011 were established in Resolutions 2005-14 and 2008-15. 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(a) states in part:

"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

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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 . . ."

SANITATION DEPARTMENT DISBURSEMENTS AND INVENTORY

A review of items purchased by the Sanitation Department from Muncie Chemical and Safety Supply revealed the following items:

1. A review of claims indicated the invoices accompanying the claims from Muncie Chemical and Safety Supply for 2011 were almost in a consecutive order with only a few gaps. It is unclear if Muncie Chemical and Supply had customers other than the Sanitation Department.
2. The address noted on Muncie Chemical and Supply invoices did not coincide with the business that was physically located there, Midwest Auto & Truck Accessories. Nothing at this business seemed to indicate that another business was located within.
3. Inappropriate disbursements were made which included cups and kleenex.
4. Some of the salt purchased from the vendor was used to clear parking lots of the City. Several pallets of salt were observed on hand on July 18, 2012.
5. On July 18, 2012, the Sanitation Superintendent stated inventory rooms are now locked due to theft of inventory items. He stated he was unable to determine who stole the goods.
6. On July 18, 2012, the Sanitation Superintendent stated he does not make comparisons of costs between vendors.
7. A 3X5 POW/MIA flag was purchased in November 2011 and March 2012. An Indiana State flag and an American flag were purchased in May 2011, November 2011 and March 2012. The purchase price of the American flag was \$547.68. An internet search of various vendors indicated the flag could be purchased for approximately \$200 elsewhere.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Muncie (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements 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 2011-1 and 2011-2.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2. 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.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Board of Public Works and Safety, Common Council, Board of Sanitary Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 14, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared 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, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MN-18-009	\$ 22,482
		B-08-MC-18-0010	3,847
		B-09-MC-18-00102	92,112
		B-10-MC-18-00102	708,276
		B-11-MC-18-00102	549,548
Total for program			1,376,265
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	B-09-MY-18-0010	136,889
ARRA - Community Development Block Grants/Special Purpose Grants/Insular Areas (Recovery Act Funded)	14.254	B-08-MN-18-009	597,440
Total for cluster			2,110,594
Direct Grant			
HOME Investment Partnerships Program	14.239	M-08-MC-18-0206	5,000
		M-09-MC-18-0206	280,373
		M-10-MC-18-0206	433,542
		M-11-MC-18-0206	304,239
Total for program			1,023,154
Direct Grant			
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-06-SP-IN-0346	159,228
Pass-Through Indiana Housing and Community Development Authority			
CDBG - State-Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	NSP-009-019	1,188,716
		HD-011-002	42,054
Total for cluster			1,230,770
Total for federal grant agency			4,523,746
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Department of Natural Resources			
Historic Preservation Fund Grants-In-Aid	15.904	21921-16	49,673
		18-05-21517-CA-3	192
Total for program			49,865
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0196	10,000
		2009-SB-B9-2257	15,705
		2011-DJ-BX-3230	22,174
		2011-DJ-BX-0693	26,635
Total for cluster			74,514
Direct Grant			
Bulletproof Vest Partnership Program	16.607	2011	16,459
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0039	276,417
Direct Grant			
Equitable Sharing Program	16.922	2011	46,549

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, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	2010-VA-GX-0100	28,734
Violence Against Women Formula Grants	16.588	2010-WF-AX-0022 2008-WF-AX-0011	18,253 18,253
Total for program			36,506
Total for federal grantor agency			479,179
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	DES#0301164 DES#0601198 DES#0401076 DES#0501032 DES#9786020 DES#0501033 DES#0300821 DES#0900603	26,288 16,324 126,288 478 70,513 47,696 78,118 64,781
Pass-Through Delaware County		2011	36,286
Total for cluster			466,772
Direct Grant Highway Safety Cluster State and Community Highway Safety	20.600	PT-12-11-04-02 PT-11-04-04-02	15,050 78,820
Total for program			93,870
Pass-Through Indiana Criminal Justice Institute Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-2012-03-03-06 K8-2011-03-03-06 CA-2011-08-01-03	6,006 34,980 16,875
Total for program			57,861
Total for cluster			151,731
Total for federal grantor agency			618,503
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW06121802	32,337
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0003154	558,200
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-01268	1,641,102
Total federal awards expended			\$ 7,902,932

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 sub-recipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	2011
CDBG – Entitlement Grants Cluster		\$ 279,986
CDBG – State-Administered CDBG Cluster		1,223,941
Home Investment Partnerships Program	14.239	406,317
Historic Preservation Fund Grants-In-Aid	15.904	49,673
Highway Safety Cluster		12,809

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to the financial statement noted?	no

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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG – State-Administered CDBG Cluster
16.710	Public Safety Partnership and Community Policing Grants
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program

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

Auditee qualified as low-risk auditee?	yes
----------------------------------------	-----

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1 - ALLOWABLE ACTIVITIES/ALLOWABLE COSTS AND CASH MANAGEMENT

Federal Agency: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Federal Program: CDBG - State-Administered CDBG Cluster
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 of Muncie was awarded two Community Development Block Grants for Emergency Shelter funds in the amounts of \$42,981.90 and \$296,250.00 from the Indiana Housing and Community Development Authority (IHCDA) in 2011. Internal controls were established to oversee compliance with the Cash Management requirement, however, the controls were not effective. 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 distributions by way of two party checks. Distributions received in 2011 totaled \$42,055.

Proper internal controls were not in place to adequately comply with the Allowable Activities/Allowable Costs requirement. The two party checks were 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 grant agreement between the IHCDA 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 A133 Section .300(b) states:

"The auditee shall:

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."

Failure to comply with these requirements could cause the City to expend grant money without proper approval and also result in inaccurate recordkeeping. This could jeopardize future funding.

We recommended the office of Community Development implement procedures in order to reflect the grant activity in the records and to obtain proper approvals prior to disbursing grant funds.

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

FINDING 2011-2 - DAVIS BACON

Federal Agency: U.S. DEPARTMENT OF ENERGY
Federal Program: Energy Efficiency and Conservation Block Grant Program
CFDA Number: 81.128
Federal Award Number and Year (or Other Identifying Number): DE-SC0003154

The City had not established controls to meet the objective of the Davis Bacon requirement. The only documentation presented for audit consisted of seven employee interviews. Information obtained from the interviews was not verified to actual payroll records. Vendor contracts did not include proper Davis Bacon documents.

42 USC 17155 states in part:

" . . . all laborers and mechanics employed by any contractor or subcontractor of the grantee during any construction, alteration, or repair activity funded, in whole or in part, by the grant shall be paid wages at rates not less than the prevailing wages for similar construction activities in the locality, as determined by the Secretary of Labor, in accordance with sections 3141 through 3144, 3146, and 3147 of Title 40."

OMB Circular A133 Section .300(b) states:

"The auditee shall:

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."

Failure to comply with the requirement could cause the City to expend grant money to vendors for employee salaries that are not in compliance with the Davis Bacon requirement. This could jeopardize future funding.

We recommended the City implement procedures to monitor the Davis Bacon requirement.

CITY OF MUNCIE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



MAYOR DENNIS TYLER
City of **MUNCIE**
MUNCIE, INDIANA

August 14, 2012

STATE BOARD OF ACCOUNTS

CITY OF MUNCIE
SCHEDULE OF FEDERAL FINDINGS

FEDERAL FINDING 2011-1, ALLOWABLE ACTIVITIES/ALLOWABLE COSTS AND CASH MANAGEMENT

Federal Agency: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Federal Program: CDBG - State-Administered CDBG Cluster
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

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:

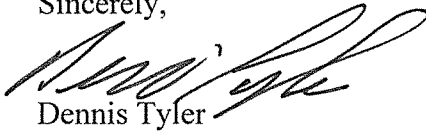
- Community Development will no longer accept grants on this basis. However, these grants are not complete at this time. We have given IHCDA our direct deposit information for further transactions.
- Community Development acknowledges that a 2-party check was generated 2-1-12 and will most likely prompt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

FEDERAL FINDING 2011-2, DAVIS BACON

Federal Agency: U.S. DEPARTMENT OF ENERGY
Federal Program: Energy Efficiency and Conservation Block Grant Program
CFDA Number: 81.128
Federal Award Number and Year (or Other Identifying Number): DE-SC0003154

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Tyler", is written over the printed name. The signature is fluid and cursive, with a large initial "D" and "T".

Dennis Tyler

CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2012, with Audrey Jones, Controller; Dennis Tyler, Mayor; and John Quirk, President of the Board of Public Works and Safety; Doug Marshall, member of the Common Council; and Clares Burke, Controller's Office Staff Clerk.

The contents of this report were discussed on August 14, 2012, with Tom Bennington, President of the Board of Sanitary Commissioners; Barb Smith, District Administrator; and Debbie Ervin, Financial Manager. The Official Response has been made a part of this report and may be found on pages 70 through 90.

The contents of this report were discussed on August 13, 2012, with Mary Ann Kratochvil, former Controller, and Sharon McShurley, former Mayor.

BENADUM, CECIL & DRUMM

Attorneys at Law

Clarence E. Benadum
(1889-1978)

207 North High Street-Muncie, Indiana 47305
Telephone (765) 288-8884 - Facsimile (765) 284-9522

Ralph V. Cecil
(1911 -1988)

Peter H. Drumm

August 14, 2012

Ms. Stephanie Heath, CPA
Auditor in Charge, District 9
Indiana State Board of Accounts
202 West Washington, Street
Indianapolis, IN 46204-2765

Via: Email

Re: Muncie Sanitary District Sewage Fees

Dear Ms. Heath:

Thank you for giving me the opportunity to respond to the audit of the City of Muncie regarding the comments on the procedures the Sanitary District uses in setting sewage rates for the District.

Specifically, the audit has concluded that the District's sewage rates must be established in accordance with IC-36-9-25-11(a) which provides in pertinent part that "...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...." The concern expressed in the audit is that the District's fees should not be put in place until they are approved by the Muncie City Council.

This position, presented in successive audit reports of your Department for several years, has been addressed by the District on numerous occasions including letters from me dated in 2009, 2010 and 2011. In each instance the District has consistently expressed its position that the provision of the Indiana Code cited in the audit report does not apply to the Muncie Sanitary District in its rate setting process. The reason this section of the law does not apply is that the fees established by the District do not relate in any way to the status of property as being "subject to full taxation" (or partially or wholly tax exempt for that matter). I have attached to this letter an outside legal opinion obtained by the District June 14, 1988 that discusses this point and which was provide on several occasions beginning in 1988 to various members of you organization. (You should also note that there have been no changes made in the relevant statutes nor have any relevant court decisions been issued on this point since this opinion was first obtained.)

The courts in interpreting any statute first look to the plain and ordinary meaning of the statute to see if any conflict may exist. (See Armstrong v. State, 818 NE2d 93, (2008)). And in

determining the plain and ordinary meaning of a statutory term (such as in this instance, “related to”) the courts may use English language dictionaries as well as consider the relationship of other words and phrases. (Again see 818 NE2d 93).

The term, “related” has a simple and unambiguous meaning. The term means “connected”, “allied”; or “akin” as defined by the Black’s Law Dictionary and as defined by Webster’s Unabridged it is “connected by reason of an established or discoverable relation.” (Again, please look at the attached legal opinion.) Both the legal and common meaning of “related to” are identical and the term “related to” is identical to the term “connected to.”

Another way to have crafted the statute to have the same meaning would have been to provide that “...fees connected to the full taxation of property do not take effect until they have been approved by ordinance of the municipal legislative body....”. But in either event it is reasonable to give the words of the statute their plain and ordinary meaning. It is also reasonable for the Muncie Sanitary District to interpret the language to mean that the approval of the City Council is required if fees are based on and therefore vary by the amount of a property’s assessed value. Thus, the higher the assessed value the higher the rate paid (or inversely the lower the assessed value the lower the rate paid).

But in reality the rates of the District are not “related to” or “connected to” the value of property subject to full taxation as opposed to any other kind of property. The fees are actually related to water usage of property as a fair and equitable means of measuring the volume of sewage treated for each property in the District. (Of course other factors such as type of chemicals discharged from activities such as manufacturing or other commercial uses may also influence their rate beyond the amount of water used.)


There are innumerable ways in which a sewage district can set its rates. (See section IC 36-9-25-12(a) of the law establishing the District.) Certainly, one of these ways would be to set or base the rates on the values of fully assessed property so that the rates charged would then be in some manner “related” or “connected” to each property’s full taxation value (in much the same way as property taxes are assessed). Such rates would then vary depending on the value of the assessed property.

The District could also establish classes of users that are related to or connected to the taxable value of the user’s property served by the District. These classes could directly relate to or be connected to the actual tax status of the property being served so that the user fee would again be “related” or “connected” to the fully taxable property. Fees could then also be set based on or related to or connected to the tax status of partially or wholly tax exempt property.

However the District’s fees do not take into consideration the tax status of property when establishing rates. The rates are based upon and therefore only vary by the amount of water used at each property. The taxable status of the property plays no role whatsoever in the rate setting process for user fees for the treatment and disposal of sewage.

I hope that this letter and the attached legal opinion is of some help to you in understanding the District's position on its rate setting practices and will resolve any questions that you may have concerning the sewage rates charged by the Muncie Sanitary. However, should you have any further questions, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter H. Drumm", written over a horizontal line.

Peter H. Drumm,
Attorney for the Muncie Sanitary

DEFUR, VORAN, HANLEY, RADCLIFF & REED

REED D. VORAN
SAMUEL L. REED
RICHARD D. HUGHES
JON H. MOLL
JOHN C. GILLILAND II
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OF COUNSEL
WILLIAM F. RADCLIFF

EARL G. DEFUR
(1903-1986)

MARSHALL E. HANLEY
(1920-1981)

June 14, 1988

Robert L. Stephenson, President
Board of Sanitary Commissioners
Muncie Sanitary District
220 East Jackson Street
Muncie, Indiana 47305

Re: Necessity for City Council Approval of
Sanitary District Taxes, Bonds and User Fees

Dear Mr. Stephenson:

You have requested we research and advise you concerning the following questions: (1) whether or not taxes levied by the Muncie Sanitary District must be approved by the Muncie City Council; (2) whether or not bonds issued by the Muncie Sanitary District must be approved by the Muncie City Council; and, (3) whether or not user fees established by the Muncie Sanitary District must be approved by the Muncie City Council.

As explained in the remainder of this letter, in our opinion, neither taxes levied nor bonds issued by the Muncie Sanitary District require approval of the Muncie City Council. User fees established by the Muncie Sanitary District do not require City Council approval unless the fees relate to fully taxable property.

Initially, as explained more fully in our letter to you of February 18, 1988, concerning whether or not Muncie City Council has the power to impose a duty on the Muncie Sanitary District to engage in collective bargaining, it should be remembered that the Muncie Sanitary District is a "special taxing district" and a "political subdivision" within the meaning of the Home Rule Legislation which became effective September 1, 1981. As a result, the Muncie City Council is without power to impose a duty upon the Sanitary District unless there is a statute expressly granting City Council that power [I.C. 36-1-3-8(3)]. Similarly, it should be noted that the Muncie Sanitary District also constitutes a "political subdivision" separate from the City of Muncie under the various Indiana statutes dealing with the fixing and reviewing of budgets, tax rates, and tax levies (see, I.C. 6-1.1-1-12, I.C. 16-1.1-17-1 et seq.). Unless an Indiana statute expressly provides for City Council approval of a particular Sanitary District action, approval of the Muncie City Council is not required.

The remainder of this letter quotes from a number of Indiana statutes which refer to "the board." In each case, the reference to "the board" means the Board of Sanitary Commissioners of the Muncie Sanitary District (I.C. 36-9-25-2).

(1) Taxes Levied by the Muncie Sanitary District Do No Require Approval of the Muncie City Council.

The statutes which govern the Muncie Sanitary District (I.C. 36-9-25-1 et seq.) expressly empower the Board of Sanitary Commissioners of the Sanitary District to levy taxes for the purposes set forth in the governing statutes. There is no requirement that such taxes must be approved by the Muncie City Council.

The basic statutory provision in this regard is I.C. 36-9-25-10(19), which states:

"In performing its duties, the board may do the following:

(19) Pay for the services rendered or any other obligations incurred by the board while executing its powers, or pay any judgments, including interest and costs, by issuing and selling bonds of the district, or obtaining temporary loans or levying taxes as authorized by this or other statutes for any other purpose."
(Emphasis added).

Three sections of the governing statutes then expressly authorize the Sanitary District to levy taxes for particular purposes:

- (1) I.C. 36-9-25-32. This section authorizes the Board of Sanitary Commissioners to levy a tax annually to fund the operations of the Sanitary District:

"(a) To provide money to pay:

(1) All general expenses of the board, including salaries of officers and employees, fees and expenses for professional services, and other items of expense not chargeable to the cost of property acquisition or work done under a resolution of the board for which bonds of the district are issued; and

(2) For the operation, maintenance, and repair of sewage works, including the cost of the collection and removal of garbage and ashes;

a tax on all the taxable property in the district, at the rate required to provide the money needed to defray all expenses, shall be levied annually by the board."
(Emphasis added).

Robert L. Stephenson
June 14, 1988
Page Three

- (2) I.C. 36-9-25-19 and I.C. 36-9-25-29. These sections authorize a special tax to be levied by the Board of Sanitary Commissioners to pay the total cost of the construction of sewage works and the payment of bonds and interest in that regard. The sections state in relevant part:

"...all property located within the boundaries of the district is subject to a special tax to provide money to pay the total cost of the construction of the sewage works, including the acquisition of all necessary land or rights-of-way as described in the resolution of the board and all necessary incidental expenses. The special tax constitutes the amount of benefits resulting to the property from the proceedings and shall be levied as provided in this chapter." I.C. 36-9-25-19.

"(a) In order to raise money to pay all bonds issued under section 27 of this chapter, including interest, the board shall levy each year a special tax upon all the property of the district, to meet and pay the principal of the bonds as they mature, together with all accrued interest. The board shall have the tax levied each year certified to the municipal fiscal officer and to the auditor of the county in which the district is located by October 1. The tax as levied and certified shall be estimated and entered upon the tax duplicate by the county auditor. The tax shall be collected and enforced by the county treasurer in the same manner as state and county taxes are estimated, entered, collected and enforced. I.C. 36-9-25-29. (Emphasis added).

There is nothing in the statutes which in any way requires the Muncie City Council to approve any of the taxes levied by the Board of Sanitary Commissioners of the Muncie Sanitary District.

That Muncie City Council's approval is not required for taxes levied by the Sanitary District is further reinforced by I.C. 36-9-25-8 applicable to cities in counties having a population between 135,000 and 165,000. There, the legislature has required the city's legislative body to approve taxes of a sanitary district located in such county. The section states in relevant part:

"(a) This section applies only to cities in counties having a population between one hundred thirty-eight thousand (138,000) and one hundred sixty-five thousand (165,000).

(d) Bonds of the district may not be sold without the prior approval of the city legislative body. In addition, the legislative body must approve all budgets and tax levies of the district." I.C. 36-9-25-8.

Robert L. Stephenson
June 14, 1988
Page Four

This express statutory requirement of city legislative body approval does not apply to the City of Muncie and Delaware County. The only county to which that section applies is Madison County; under the 1980 census, Delaware County's population was 128,587.

(2) Bonds Issued by the Muncie Sanitary District Do Not Require Approval of the Muncie City Council.

The statutes which govern the Muncie Sanitary District (I.C. 36-9-25-1 et seq.) in several sections expressly empower the Board of Sanitary Commissioners to issue and sell bonds for the purposes set forth in the statutes. There is no requirement that such bonds be approved by the Muncie City Council.

Once again, the basic statutory provision is I.C. 36-9-25-10(19) quoted on page two of this letter.

Two sections of the governing statutes then expressly authorize the Sanitary District to issue and sell bonds:

- (1) I.C. 36-9-25-27. This section authorizes the Board of Sanitary Commissioners to issue bonds of the district for property and construction. Although the City's executive officer (the mayor) must sign the bonds and the fiscal officer sell them, their actions in that regard are ministerial; the bonds are not obligations of the City of Muncie:

"(a) To raise money to pay for the property and the construction, and in anticipation of the special tax to be levied as provided in sections 19 and 29 of this chapter, the board shall have issued, in the name of the municipality, the bonds of the district. . .

(c) Upon adoption of a resolution ordering bonds, the board shall certify a copy of the resolution to the municipal fiscal officer, who shall then prepare the bonds. The municipal executive shall execute the bonds and the fiscal officer shall attest them. . .

(d) The bonds are not a corporate obligation or indebtedness of the municipality, but constitute an indebtedness of the district as a special taxing district. The bonds and interest are payable only out of a special tax levied upon all the property of the district as provided in this chapter. The bonds must recite these terms upon their face, together with the purpose for which they are issued.

(e) Instead of selling the bonds in series, the board may sell bonds of the district to run for a period of five (5) years from the date of sale. The five (5) year bonds are exempt from taxation for all purposes. The board may sell bonds of the district in series for the purposes of refunding at any time the five (5) year bonds. . . I.C. 36-9-25-27. (Emphasis added).

- (2) I.C. 36-9-25-31. This section authorizes the Board of Sanitary Commissioners to issue bonds of the district to pay for general expenses of the Board:

"To provide money to pay for general expenses of the board not chargeable to the cost of any property acquired or work done under a resolution of the board for which bonds of the district are issued, the board may issue the bonds of the district in an aggregate amount not to exceed two percent (2%) of the total assessed valuation (after deducting all mortgage exemptions) of the property within the district. The bonds are payable from a special tax, which the board shall levy annually at the rate required to finance the bonds. The tax shall be levied, collected and expended according to section 32 of this chapter." I.C. 36-9-25-31. (Emphasis added).

There is nothing in any of the statutes which govern the Muncie Sanitary District which in any way requires the Muncie City Council to approve the issuance and sale of bonds of the Sanitary District.

Once again, the absence of such a requirement is particularly significant when compared to a county having a population between 138,000 and 165,000. In such counties, a sanitary district must have city council approval of bonds it issues (I.C. 36-9-25-8, quoted on page three of this letter). That requirement is not stated for counties with the population of Delaware County.

- (3) User Fees Established By the Muncie Sanitary District Do Not Require Approval of the Muncie City Council Unless the Fees Are Related to Property That Is Subject to Full Taxation.

The statutes which govern the Muncie Sanitary District (I.C. 36-9-25-1 et seq.) in several sections expressly empower the Board of Sanitary Commissioners to establish user fees for the district's services. There is no requirement that such fees be approved by Muncie City Council unless the fees are related to property that is subject to full taxation.

Three sections of the governing statute address the establishment of user fees by a sanitary district:

- (1) I.C. 36-9-25-11(17). This section empowers the Board of Sanitary Commissioners to establish the fees applicable to persons who own, lease, or possess or control certain property located outside of the district:

"In performing its duties, the board may do the following:

(17) Prepare a schedule of reasonable service fees and collect them from persons who own, lease or possess or control as tenants or as agents lots or lands located outside the boundaries of the district if the lots or lands are benefited by connection into the sanitary sewer system of the district as described in this chapter, with the proceeds from sewage connections and treatment service credited to the general fund of the district for general use and maintenance purposes. The fees may be fixed, repealed, or amended, or the service discontinued, by the board at its discretion."
(Emphasis added).

- (2) I.C. 36-9-25-11. This section is the basic statute addressing the establishment and change of fees by the Sanitary District. As relevant to this letter, that section provides:

"(a) In connection with its duties, the board may fix fees for the treatment and disposal of sewage and other waste discharged into the sewage 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 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 sewage system or that in any way uses or is served by the works. 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.

(b) The board may change fees from time to time. The fees, together with the taxes levied under this chapter, must at all times be sufficient to produce revenues sufficient to pay operation, maintenance and administration expenses, to pay the principal and interest on bonds as they become due and payable, and to provide money for the revolving fund authorized by this chapter.

Robert L. Stephenson
June 14, 1988
Page Seven

(c) Fees may not be established until a public hearing has been held at which all the users of the sewage works and owners of property served or to be served by the works, including interested parties, have had an opportunity to be heard concerning the proposed fees. After introduction of the resolution fixing fees, and before they are finally adopted, notice of the hearing setting forth the proposed schedule of fees shall be given by publication in accordance with I.C. 5-3-1. After the hearing the resolution establishing fees, either as originally introduced or as amended, shall be passed and put into effect. 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.

(d) A copy of the schedule of the fees shall be kept on file in the office of the board and must be open to inspection by all interested parties. The fees established for any class of users or property served shall be extended to cover any additional premises thereafter served that fall within the same class, without the necessity of hearing or notice.

(e) A change of fees may be made in the same manner as fees were originally established. However, if a change is made substantially pro rata for all classes of service, hearing or notice is not required, but approval of the change by ordinance of the municipal legislative body is required. . . " (Emphasis added).

- (3) I.C. 36-9-25-12. This section states the basis which may be used for fees established by the Sanitary District. The first portion of that section states:

"(a) The fees for the treatment and disposal of sewage may be based on:

- (1) A flat charge for each sewer connection;
- (2) The amount of water used on the premises;
- (3) The number and size of water outlets on the premises;
- (4) The amount, strength, or character of sewage discharged into the sewers;
- (5) The size of sewer connections; or
- (6) Any combination of these factors or other factors that the board determines necessary in order to establish just and equitable rates and charges. . . "

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You will note that factors other than those stated in this section may be used by the board. The factors stated are not the exclusive ones available. Other factors which may be appropriate are illustrated in I.C. 36-9-23-25(d); that statute does not apply to the Muncie Sanitary District, but does contain examples of other types of factors which could be used in establishing fees.

As can be seen from the foregoing statutory sections, the only situation in which the establishment of or a change in user fees requires approval of the Muncie City Council (i.e., the municipal legislative body) is if the fees "relate to property that is subject to full taxation." Therefore, the key question in determining whether or not approval of the Muncie City Council must be obtained for Sanitary District user fees is whether or not the fees as established or changed by the Sanitary District result in user fees "related to property that is subject to full taxation."

Our research has not revealed any Indiana court decision or attorney general's opinion interpreting the "related to" criteria. However, the common meaning of the word "relate" and the provisions of the governing and related statutes provide the basis for distinguishing between user fees which relate to fully taxable property and those which do not.

Black's Law Dictionary (5th Edition) defines "related" to mean "connected." Webster's Ninth Collegiate Dictionary defines "related" to mean "connected by reason of an established or discoverable relation." In other words, user fees are connected to fully taxable property if there is an established or discoverable relationship between the fees and fully taxable property.

X If a user fee is not directly or indirectly dependent upon the taxable status of the property served, the user fee does not need to be approved by the Muncie City Council. If, on the other hand, a user fee is directly or indirectly dependent upon the taxable status of the property served, approval of the Muncie City Council must be obtained before it goes into effect.

The current fee structure of the Muncie Sanitary District is based upon the quantity of water used on or in the property or the premises served (see, I.C. 36-9-25-12[a][2], quoted on page seven of this letter). The Muncie Sanitary District's user fees are not in any way, directly or indirectly, connected to or established based upon whether or not the premises or property served is fully taxable or wholly or partially tax exempt. It makes no difference whatsoever whether or not the property or premises served is subject to full taxation. As a result, such a user fee structure, and any changes in the amount of the fees under that structure, are not "related to property which is subject to full taxation" and therefore do not need to be approved by the Muncie City Council.

As a general matter, any user fee structure based solely on: a flat charge for each sewer connection; the amount of water used on the premises; the number and size of water outlets on the premises; the amount, strength, or character of sewage discharged into the sewers; the size of the sewer connections; or any combination of those factors, would not relate to the tax status of the property served and will not require approval of the Muncie City Council.

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If, however, the Muncie Sanitary District were to establish a fee structure based upon some other factor or factors which make the user fees directly or indirectly affected by the tax status of the property served, approval of the Muncie City Council would be required. For example, if user fees were to be established for different classes of users (see, I.C. 36-9-25-11[d]) where the classes established were directly or indirectly related to the tax status of the property or premises served, then the user fees would be "related to property that is subject to full taxation," and would not take effect until they were approved by Muncie City Council (an example of such an "other factor" is illustrated by I.C. 36-9-23-25[d][6], which refers to user fees based upon whether or not the property has been or will be required to pay separately for any part of the sewage works; a user fee established directly or indirectly on that basis would appear to be "related to" the taxability of the property involved).

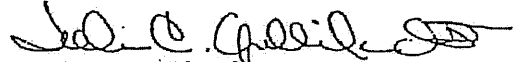
* * * * *

If you should have any questions concerning the content of this letter, please do not hesitate to contact me.

Very truly yours,

DE FUR, VORAN, HANLEY, RADCLIFF & REED

By


John G. Gilliland II

JCG/teg

cc: Thomas A. Cannon, Sr.



Engineers • Architects • Planners

Project Memorandum

To: Barb Smith
From: Scott Dompke
CC: Shareen Wagley
Date: January 20, 2012
Re: Response to State Board of Accounts Audit Report from 2011

The Indiana State Board of Accounts requested information on the Muncie Sanitary District's (the District) authority to spend stormwater funds on limited, specific improvements in a City park project, Canon Commons Park. The project was funded jointly by various entities defined in a *Memorandum of Understanding Concerning Development of Canon Commons*, executed July 21, 2010.

The items in question were green infrastructure elements, including pervious pavement, trees, lawn seed, topsoil, and native plantings. The United States Environmental Protection Agency (EPA) and the Indiana Department of Environmental Management (IDEM) recognize green infrastructure as a component of sound infrastructure planning and design. Pervious pavements and vegetation purify stormwater runoff by filtering out pollutants. They are recognized stormwater treatment devices, making them sewage works under Indiana statute.

The District has federal National Pollutant Discharge Elimination Permits (NPDES) for its wastewater and stormwater systems under the federal Clean Water Act. The federal permits require the District to conduct its operations and construct treatment devices that prevent pollutants from entering Waters of the United States. The Muncie Sanitary District complies with its federal permits by conducting its business and operations under the guidelines established by EPA and IDEM.

The Muncie Sanitary District has authority to construct sewage works and other improvements the board deems necessary in the operation of its business under Indiana Code to comply with federal NPDES permit requirements. The District has complete and exclusive authority to expend money in conducting its business under Indiana statutes.

Some of the pertinent facts establishing the Muncie Sanitary District's authority to expend funds on green infrastructure components in a City park are enumerated below.

1. The Sanitary District exists as a special taxing district under Indiana Code 36-9-25.
2. The District established a stormwater management department and associated service charges via Resolution 2006-10, in part to comply with the federal stormwater quality program section 402(p) of the Clean Water Act (Federal Register, Volume 64, Number 235, pages 68722-68852), administered by the Indiana Department of Environmental Management under 327 IAC 15-13 for Storm Water Run-off Associated with Municipal Separate Storm Sewer System (MS4) Conveyances.

3. Definitions for the Sanitary District authority are covered in Indiana Code 36-9-1.

4. IC 36-9-1-2 defines "Improvement," which includes:

(11) landscaping, including trees, shrubbery, flowers, grass, fountains, benches, statues, floodlighting, gaslighting, and structures of a decorative, educational, or historical nature;

5. IC 36-9-1-8 defines "Sewage Works," which includes:

(12) any other structures necessary or useful for the collection, treatment, purification, and sanitary disposal of the liquid waste, solid waste, sewage, storm drainage, and other drainage of a municipality;

6. IC 36-9-25-10 Powers of the Board allows the board to construct sewage works.

In performing its duties the board may do the following:

(3) Design, order, contract for, construct, reconstruct, and maintain the sewage works.

(4) Build or have built all roads, levees, walls, other structures, or lagoons that may be desirable in connection with sewage works and make improvements to the grounds and premises under its control, including the erection and operation of a plant for the removal of sand and gravel from the grounds.

7. IC 36-9-25-30 permits the District to construct sewage works on public property.

Sec. 30. (a) If the board finds it necessary to build, alter, or repair a sewer, drain, or appurtenance used in connection with sewage works in a public way or other public place in the district or a highway outside its boundaries, it shall file with the works board of the municipality, or the executive of the county in which the municipality is located, a petition and a map showing the route of the sewer or drain or the location of the structure or appurtenance proposed to be built, altered, or repaired, including the part of the public way or other public place to be used in the work. That body shall then adopt a resolution granting the board the right to use the public way or other public place.

8. A Memorandum of Understanding was executed to establish conditions relative to the development of the Canan Commons park.

9. 36-9-25-37 allows the Sanitary District to expend money to conduct its business.

Authority to expend money; warrants and vouchers

Sec. 37. Money raised under this chapter may be expended only upon warrants drawn by the municipal fiscal officer upon vouchers of the board. An appropriation is not necessary, but all money raised under this chapter is considered appropriated to the respective purposes stated and is under the control of the board. The board has complete

and exclusive authority to expend the money for the purposes provided.

As added by Acts 1981, P.L.309, SEC.98

10. The Muncie Board of Public Works approved the construction contract for Canan Commons on September 29, 2010, fulfilling requirements of item 7, above.
11. The Muncie Sanitary District paid for the green infrastructure components of the project by _____, as allowed under item 9, above.

1811 CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
Muncie Sanitary District Responses

CAPITAL ASSET RECORDS

Capital asset records were not completed for the year 2011.

The civil city was in the process of implementing new software for much of year and the implementation was not completed in time for the capital assets to be finished by year end.

COMPENSATION AND BENEFITS

A review of payroll indicated some employees were not paid in accordance with the approved ordinance or resolution.

3. A \$2,000 raise was given to the Engineering Director of the Muncie Sanitary District, however, approval from the Board of Sanitary Commissioners was not obtained. The salary resolution for the Muncie Sanitary District shows a salary range for some employees, including the Engineering Director, and also indicates the actual amount to be paid.

The Muncie Sanitary Engineering Director received a raise in pay following an annual performance evaluation. In the Salary Resolution passed by the Muncie Sanitary District Board of Commissioners it states:

WHEREAS, the below listed bi-weekly salary ranges are set with minimum and maximum rates and salaried employees with listed salary ranges will be compensated within the listed range;

The raise in question was within the bi-weekly salary range as established by the Sanitary Board. All Department Head evaluations are reviewed and approved by the Board President.

STORMWATER DISBURSEMENTS

The Muncie Sanitary District disbursed \$153,549 for Canan Commons. The disbursements were for the following items: new sidewalks and other concrete, trees, lawn seed, topsoil, native plantings, leaf compost, storm piping. In addition, in-kind services estimated at \$39,168, were provided by employees of the Muncie Sanitary District for demolition, earthwork, storm drainage, etc.

Authorization for three claims paid on the Canan Commons project was not provided by the appropriate department. One payment disbursed on January 28, 2011 and two payments disbursed on October 21, 2011 were not approved by the Board of Sanitary Commissioners until February 7, 2012. The claims, which totaled \$29,214.90, were approved by the Controller's office rather than the Muncie Sanitary District.

IC 5-11-10-1.6 states, in part:

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

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim." (1)

Statutory Authority

In providing the reason for these expenditures, District officials have pointed out the powers of a Board, granted under IC 36-9-25-10, which states in part:

"In performing its duties the board may do the following: . . .

(3) Design, order, contract for, construct, reconstruct, and maintain the sewage works.

(4) Build or have built all roads, levees, walls, other structures, or lagoons that may be desirable in connection with sewage works and make improvements to the grounds and premises under its control, including the erection and operation of a plant for the removal of sand and gravel from the grounds."

IC 36-9-1-8 states:

"Sewage works" means:

(1) sewage treatment plants;

(2) intercepting sewers;

(3) main sewers;

(4) submain sewers;

(5) local sewers;

(6) lateral sewers;

(7) outfall sewers;

(8) storm sewers;

(9) force mains;

(10) pumping stations;

(11) ejector stations;

(12) any other structures necessary or useful for the collection, treatment, purification, and sanitary disposal of the liquid waste, solid waste, sewage, storm drainage, and other drainage of a municipality; and

(13) for purposes of IC 36-9-25, overhead plumbing or backflow prevention devices that are financed in whole or in part through assistance provided under IC 36-9-25-42."

Some components of the project paid for by the Sanitary District do not meet the statutory definition of "sewage works".

IC 36-9-1-2 states:

"Improvement" includes the construction, equipment, remodeling, extension, repair, and betterment of structures, including:

(1) sanitary sewers and sanitary sewer tap-ins;

(2) sidewalks;

(3) curbs;

(4) streets;

(5) alleys;

(6) pedestrian-ways or malls set aside entirely or partly, or during restricted hours, for pedestrian rather than vehicular traffic;

(7) other paved public places;

(8) parking facilities;

(9) lighting;

(10) electric signals;

(11) landscaping, including trees, shrubbery, flowers, grass, fountains, benches, statues, floodlighting, gaslighting, and structures of a decorative, educational, or historical nature;

(12) for units that own and operate a water utility, water main extensions from the water utility; and

(13) for units that establish and operate a department of public sanitation under IC 36-9-25, sewage works that are:

(A) overhead plumbing or backflow prevention devices;

- (B) installed in private dwellings; and
- (C) financed in whole or in part through assistance provided under IC 36-9-25-42.”

As “improvement” relates to the alteration (construction, equipment, remodeling, extension, repair, and betterment) of structures, some components of the project paid for by the Sanitary District do not qualify. (2) Additionally, IC 36-9-25-10(4) authorizes improvements to grounds and premises under the Board’s control. Documents provided for audit indicate that the Parks Department owned the property which became Canan Commons.

As the authority for the Board of Sanitary Commissioners to construct sewage works on public property, district officials cite IC 36-9-25-30(a), which states:

“If the board finds it necessary to build, alter, or repair a sewer, drain, or appurtenance used in connection with sewage works in a public way or other public place in the district or a highway outside its boundaries, it shall file with the works board of the municipality, or the executive of the county in which the municipality is located, a petition and a map showing the route of the sewer or drain or the location of the structure or appurtenance proposed to be built, altered, or repaired, including the part of the public way or other public place to be used in the work. That body shall then adopt a resolution granting the board the right to use the public way or other public place.”

A brief passage in the August 10, 2010 minutes of the Board of Sanitary Commissioners names the MS4 Coordinator as the District’s representative on the Canan Commons Committee. No other mention of the project could be found in the minutes of meetings prior to or subsequent to August 10, 2010.

A memorandum of understanding between the City of Muncie and Community Enhancement Projects, Inc., dated July 21, 2010, pledges Sanitary District funds for the project by stating, in part: “WHEREAS, Muncie Parks Department owns the property and the Muncie Sanitary District through its storm water management program has money to develop a portion of the property . . .” Community Enhancement Projects, Inc., per the memorandum, was to locate, recommend and fund the compensation of a Construction Manager or General Contractor for the project.

A copy of the contract for Canan Commons presented for audit is signed by the Mayor and by the District’s MS4 Coordinator. The contract was approved by the Board of Public Works and Safety on September 29, 2010. The Board of Sanitary Commissioners did not sign the contract. (3)

All reasons presented in support of the expenditures in question are based upon various statutes authorizing the Board of Sanitary Commissioners to take action (to design, order, contract for, construct, reconstruct, maintain, build, have built, make improvements or alter). However, the record reflects that the Board did nothing but appoint an employee to a committee and authorize payments for the work, well after payment had been made, in some cases.

IC 5-14-1.5-4 states, in part:

“(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7.”

We recommend that District officials expend funds only for those purposes allowed, and in the manner allowed, by statute. (4)

- (1) All claims for this project were delivered directly to the Controller's office who then should have distributed to the appropriate entity (Parks, MSD and Community Development) for payment. The Controller's office received these claims, posted these payments prior to a MSD Board meeting but after the Claims Record was printed and issued the checks. No comparison of claims vs. checks is performed in the Controller's office, therefore the additional checks went unnoticed. Additionally one claim was posted to the Claims Record of the BOW rather than the MSD by the Controller's office. The MSD was unaware any of this had taken place and the mistakes had been made. Once these discrepancies were discovered by the MSD a resolution was passed in February 2012 accepting these claims. It is our opinion that the MSD should not be written up for the fiscal officer of the city not following procedure.
- (2) See above highlighted items with these comments. Items in the first paragraph that were paid by the MSD for Canan Commons are highlighted in the two definitions below. The entirety of Canan Commons is a Stormwater BMP reducing stormwater quantity leaving the site as well as improving water quality. The above paragraphs by the SBOA do not detail which items they feel should not have been paid, however it is our opinion that all items are within the purvey of the MSD, Stormwater Department via the above statutes. It is our opinion that these items are allowed by statute and the interpretation of the project by the SBOA is incorrect.
- (3) Resolution of the City of Muncie, signed by the Board of Works June 20, 1990, all jurisdiction and responsibility of storm sewers was given to the Muncie Sanitary District and accepted by said entity. The MSD never goes before the BOW for approval for improvements, construction, installation, repair in public areas owned by the City, these duties were assigned by the BOW by said resolution. Additionally the project was coordinated with the Parks Department and Community Development and as stated above the BOW signed the agreement listing the MSD participation on September 29, 2010. The Agreement was signed by the MS4 Coordinator at the direction of the Board of Sanitary Commissioners President. Again it is our opinion that proper procedure was followed and therefore the MSD should not be reprimanded for this issue.
- (4) The Board of Sanitary Commissioners approves a budget yearly for the Stormwater Department. In that budget of 2011 the funds expended for Canan Commons under MSD Tracking, Monitoring, Replacements and Construction were allocated for such projects.

It is the opinion of the MSD Board that funds were expended properly and within the powers of the board via the above statutes and resolutions. While we agree that there were issues with the payment of claims through the Controller's office, as soon as the MSD Board was made aware these issues a resolution was passed correcting the issue.

Please see attached documents provided to the SBOA prior to this opinion being written, to which no determination has yet to be made.

MUNCIE SANITARY DISTRICT SEWAGE RATES - APPROVAL BY THE COMMON COUNCIL

As noted in prior reports B32459, B34925, B37241, B38990 and during the current audit period, the Wastewater rates in effect for charges billed to Muncie Sanitary District Wastewater Utility customers in 2011 were established in Resolutions 2005-14 and 2008-15. 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.

IC 36-9-25-11(a) states, in part: "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 ..."

Please see attached.

SANITATION DEPARTMENT DISBURSEMENTS

A review of items purchased by the Sanitation Department from Muncie Chemical and Safety Supply revealed the following items:

1. A review of claims indicated the invoices accompanying the claims from Muncie Chemical and Safety Supply for 2011 were almost in a consecutive order with only a few gaps. It is unclear if Muncie Chemical and Supply had customers other than the Sanitation Department.
2. The address noted on Muncie Chemical and Supply invoices did not coincide with the business that was physically located there, Midwest Auto & Truck Accessories. Nothing at this business seemed to indicate that another business was located within.
3. Inappropriate disbursements were made which included cups and kleenex.
4. Some of the salt purchased from the vendor was used to clear parking lots of the City. Several pallets of salt were observed on hand on July 18, 2012.
5. On July 18, 2012, the Sanitation Superintendent stated inventory rooms are now locked due to theft of inventory items. He stated he was unable to determine who stole the goods.
6. On July 18, 2012, the Sanitation Superintendent stated he does not make comparisons of costs between vendors.
7. A 3X5 POW/MIA flag was purchased in November 2011 and March 2012. An Indiana State flag and an American flag were purchased in May 2011, November 2011 and March 2012. The purchase price of the American flag was \$547.68. An internet search of various vendors indicated the flag could be purchased for approximately \$200 elsewhere.

COST OF FLAGS

In approximately 2001 sanitation reconstructed the front of the building with a new 60ft lighted flag pole, a new sign and created a flower garden with intentions of upgrading the curb appeal.

Over the years sanitation has tried various flag manufactures. One goal was to find quality American made flags. We have purchased flags at reduced costs and the quality just wasn't there. The flags would wear out in six weeks or less, depending on the season. In the last couple of years we seem to get at least six months out of this flag we are currently using. We try to keep up on the weather because one bad storm could destroy a new flag and this has happened in the past. Sometimes we get the flag down in time to get it sent it off for repair and some times we don't. This week we replaced our flag and sent it off for repair. All of our old flags are taken to Amvets or American Legion for proper disposal.

Since this has been brought to my attention I found a wholesale manufacturer that can provide the flag need at a 50% savings if they last at least 6 months. I have started a log spread sheet on this program and will keep you informed on our progress.

EXCESSIVE PURCHASING OF DUPLICATE SUPPLIES

Recent past practice policy with cleaning supplies was when the employee needed something they could go in the supply room and get what they needed. All based on the honor system. About the first of May, I took a look at the amount of supplies sanitation was going through and at that time I changed the lock on the supply room and created a new policy. The policy now states: if the employee needs something a supervisor must be notified and the item must be signed out. We know that with the new policy and sign out sheets we will have much better accountability since it has already shown a big decrease in usage.

Upon review of the amount of supplies purchased knew I had to do something. I believe that some supplies were stolen and have started an investigation of this and have a remote camera on the door now.

On a daily basis there are 16 to 18 trucks on the road and have a strict policy to keep these trucks clean. Once a week I do a spot check to see that the cabs and windows are clean for safety reasons. So each truck should have glass cleaner, disinfectant spray, and Pledge for the inside of the cab. Pledge is used because it is better and a lot cheaper than Armor All. My men take pride in a clean truck inside and out. They all keep a box of Clean Choice towels in the cab for wiping down dashes and windows.

In the past I would check pricing a couple times a year. I have made a list of my main supplies and I will send it out to at least three companies to get quotes at the beginning of each year to try to get better pricing.

INVOICE NUMBERS

I talked to Muncie Chemical about the invoice numbers being in numerical order and he said he used the same invoice book for the Sanitation Dept. and also asked about how many other accounts they have and he said he had multiple other accounts in the Muncie/Anderson area.

Submitted July 25, 2012

Robert Smith
Sanitation Superintendent