

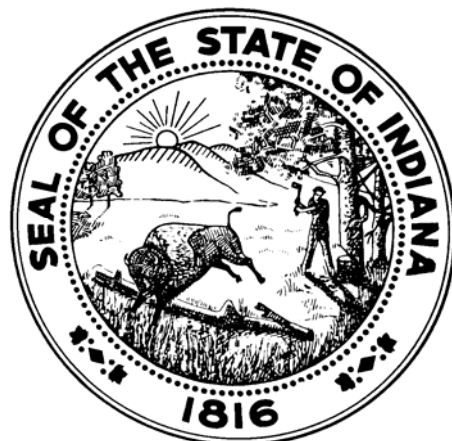
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2005

CITY OF MUNCIE

DELAWARE COUNTY, INDIANA



FILED
08/17/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Jerry Chauvin Mary Ann Kratochvil	01-01-05 to 03-24-06 03-25-06 to 12-31-06
Mayor	Daniel C. Canan	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Elizabeth DeVoe	01-01-05 to 12-31-06
President of the Common Council	Charles R. Leonard William Shroyer	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the Board of Sanitary Commissioners	Jonna S. Reece William B. Smith	01-01-05 to 05-12-06 05-15-06 to 12-31-06



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muncie (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 19, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and Schedules of Contributions From the Employer and Other Contributing Entities, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 19, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the City of Muncie (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 19, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and 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

July 19, 2006

CITY OF MUNCIE
STATEMENT OF CASH ACTIVITIES AND NET ASSETS - CASH BASIS
For The Year Ended December 31, 2005

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 20,237,554	\$ 10,142,382	\$ 26,131	\$ 464,093	\$ (9,604,948)	\$ -	\$ (9,604,948)
Public safety	18,983,903	439,672	519,155	114,294	(17,910,782)	-	(17,910,782)
Highways and streets	3,267,040	38,026	2,100,003	690,258	(438,753)	-	(438,753)
Economic development	4,575,520	-	3,142,869	47,000	(1,385,651)	-	(1,385,651)
Health and welfare	313,524	78,937	-	-	(234,587)	-	(234,587)
Culture and recreation	1,601,013	442,816	73,628	-	(1,084,569)	-	(1,084,569)
Interest on long-term debt	467,287	-	-	-	(467,287)	-	(467,287)
Total governmental activities	<u>49,445,841</u>	<u>11,141,833</u>	<u>5,861,786</u>	<u>1,315,645</u>	<u>(31,126,577)</u>	<u>-</u>	<u>(31,126,577)</u>
Business-type activities:							
Sanitary District	19,289,343	8,689,883	-	-	-	(10,599,460)	(10,599,460)
Total primary government	<u>\$ 68,735,184</u>	<u>\$ 19,831,716</u>	<u>\$ 5,861,786</u>	<u>\$ 1,315,645</u>	<u>(31,126,577)</u>	<u>(10,599,460)</u>	<u>(41,726,037)</u>
General receipts:							
Property taxes					19,122,471	6,964,609	26,087,080
Intergovernmental receipts:							
Financial institution tax					187,376	81,068	268,444
Auto and aircraft excise tax					937,545	455,401	1,392,946
Vehicle inventory tax					75,733	30,788	106,521
County option income tax					3,072,282	925,768	3,998,050
ABC excise tax					193,208	-	193,208
Cigarette tax					56,849	-	56,849
Riverboat distribution					425,196	-	425,196
Loans					3,000,000	1,031,495	4,031,495
Unrestricted investment earnings					98,425	130,113	228,538
Other:							
Miscellaneous					1,862,353	175	1,862,528
Reimbursements					156,002	-	156,002
Special items:							
FEMI ice storm grant					296,868	653,599	950,467
Transfers					1,198,448	-	1,198,448
Total general receipts, special items, and transfers					<u>30,682,756</u>	<u>10,273,016</u>	<u>40,955,772</u>
Change in net assets					(443,821)	(326,444)	(770,265)
Net assets - beginning					6,980,226	6,319,982	13,300,208
Net assets - ending					<u>\$ 6,536,405</u>	<u>\$ 5,993,538</u>	<u>\$ 12,529,943</u>
<u>Assets</u>							
Cash and cash equivalents					\$ 366,080	\$ 1,605,942	\$ 1,972,022
Cash with fiscal agent					2,460,794	-	2,460,794
Restricted assets:							
Cash and cash equivalents					3,709,531	4,387,596	8,097,127
Total assets					<u>\$ 6,536,405</u>	<u>\$ 5,993,538</u>	<u>\$ 12,529,943</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 1,630,161	\$ -	\$ 1,630,161
Public safety					557,329	-	557,329
Highways and streets					370,765	-	370,765
Health and welfare					15,469	-	15,469
Culture and recreation					385,063	-	385,063
Economic development					2,964,927	-	2,964,927
Debt service					246,611	-	246,611
Sanitation					-	4,387,596	4,387,596
Unrestricted					366,080	1,605,942	1,972,022
Total net assets					<u>\$ 6,536,405</u>	<u>\$ 5,993,538</u>	<u>\$ 12,529,943</u>

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

CITY OF MUNCIE
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Industrial Development Revolving Loan	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 17,023,122	\$ -	\$ 2,099,349	\$ 19,122,471
Licenses and permits	151,293	-	6,596	157,889
Intergovernmental	5,190,760	-	7,204,872	12,395,632
Charges for services	709,352	-	650,422	1,359,774
Fines and forfeits	376,472	-	72,709	449,181
Other	324,277	949,375	890,244	2,163,896
Total receipts	23,775,276	949,375	10,924,192	35,648,843
Disbursements:				
General government	7,191,578	-	462,846	7,654,424
Public safety	18,209,672	-	720,705	18,930,377
Highways and streets	-	-	2,998,508	2,998,508
Health and welfare	313,373	-	152	313,525
Culture and recreation	-	-	1,435,053	1,435,053
Urban redevelopment and housing	-	597,924	3,152,597	3,750,521
Debt service:				
Principal	-	-	1,455,000	1,455,000
Interest	-	-	467,287	467,287
Total disbursements	25,714,623	597,924	10,692,148	37,004,695
Excess (deficiency) of revenue over (under) disbursements	(1,939,347)	351,451	232,044	(1,355,852)
Other financing sources (uses)				
Loan proceeds	3,000,000	-	-	3,000,000
Transfers in	1,090,692	-	2,555,371	3,646,063
Loan repayments	(3,000,000)	-	-	(3,000,000)
Ice storm clean-up	(53,525)	-	(487,218)	(540,743)
Transfers out	(1,007,792)	-	(1,439,823)	(2,447,615)
Total other financing sources (uses)	29,375	-	628,330	657,705
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,909,972)	351,451	860,374	(698,147)
Cash basis fund balance - beginning	2,276,052	1,160,321	3,543,853	6,980,226
Cash basis fund balance - ending	\$ 366,080	\$ 1,511,772	\$ 4,404,227	6,282,079
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.				254,326
Net assets of governmental activities				\$ 6,536,405
<u>Cash Basis Assets - December 31</u>				
Cash and cash equivalents	\$ 366,080	\$ -	\$ -	\$ 366,080
Cash with fiscal agent	-	1,511,772	949,022	2,460,794
Restricted assets:				
Cash and cash equivalents	-	-	3,455,205	3,455,205
Total cash basis assets - December 31	\$ 366,080	\$ 1,511,772	\$ 4,404,227	\$ 6,282,079
<u>Cash Basis Fund Balance - December 31</u>				
Restricted for:				
General government	\$ -	\$ -	\$ 1,375,835	\$ 1,375,835
Public safety	-	-	557,329	557,329
Highways and streets	-	-	370,765	370,765
Health and welfare	-	-	15,469	15,469
Culture and recreation	-	-	385,063	385,063
Urban redevelopment and housing	-	1,511,772	1,453,155	2,964,927
Debt service	-	-	246,611	246,611
Unrestricted	366,080	-	-	366,080
Total cash basis fund balance - December 31	\$ 366,080	\$ 1,511,772	\$ 4,404,227	\$ 6,282,079

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

CITY OF MUNCIE
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Sanitary</u>	<u>Service</u>
	<u>District</u>	<u>Funds</u>
Operating receipts:		
Measured revenue:		
Residential	\$ 4,299,980	\$ -
Commercial	1,667,506	-
Industrial	534,950	-
Governmental and institutional	1,676,470	-
Penalties	175,073	-
Special assessments	144,728	-
Reimbursements	120,289	-
Other	70,887	119,260
Employee/employer contributions	-	9,035,470
	<u>8,689,883</u>	<u>9,154,730</u>
Total operating receipts		
	<u>8,689,883</u>	<u>9,154,730</u>
Operating disbursements:		
Sanitation	5,486,507	-
Wastewater collection, treatment and disposal	8,827,298	-
Customer accounts	615,259	-
Administration and general	1,473,947	484,370
Insurance claims and premiums	-	8,416,034
	<u>16,403,011</u>	<u>8,900,404</u>
Total operating disbursements		
	<u>16,403,011</u>	<u>8,900,404</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(7,713,128)</u>	<u>254,326</u>
Nonoperating receipts (disbursements):		
Property taxes	6,964,609	-
Intergovernmental receipts	1,493,025	-
FEMA ice storm grant	653,599	-
Loan proceeds	1,031,495	-
Interest and investment receipts	130,113	-
Miscellaneous receipts	175	-
Transfers in	-	152,071
Debt service of principal	(662,725)	-
Interest on debt	(414,492)	-
Ice storm clean-up	(1,809,115)	-
Transfers out	-	(152,071)
	<u>7,386,684</u>	<u>-</u>
Total nonoperating receipts (disbursements)		
	<u>7,386,684</u>	<u>-</u>
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out	<u>(326,444)</u>	<u>254,326</u>
Cash basis fund balance - beginning	<u>6,319,982</u>	<u>-</u>
Cash basis fund balance - ending	<u>\$ 5,993,538</u>	<u>\$ 254,326</u>
<u>Cash Basis Assets - December 31</u>		
Cash and cash equivalents	\$ 1,605,942	\$ -
Restricted assets:		
Cash and cash equivalents	<u>4,387,596</u>	<u>254,326</u>
Total cash basis assets - December 31	<u>\$ 5,993,538</u>	<u>\$ 254,326</u>
<u>Cash Basis Fund Balance - December 31</u>		
Restricted for:		
General government	\$ -	\$ 254,326
Sanitation	4,387,596	-
Unrestricted	<u>1,605,942</u>	<u>-</u>
Total cash basis fund balance - December 31	<u>\$ 5,993,538</u>	<u>\$ 254,326</u>

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

CITY OF MUNCIE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 3,238,464	\$ -	\$ -
Plan members	51,397	-	-
State	2,897,463	-	-
	<u>6,187,324</u>	<u>-</u>	<u>-</u>
Total contributions			
	<u>6,187,324</u>	<u>-</u>	<u>-</u>
Taxes	-	1,197,877	-
Investment earnings:			
Interest	-	2,878	-
Transfers in	250,268	-	-
Agency fund additions	-	-	31,663,420
	<u>-</u>	<u>-</u>	<u>31,663,420</u>
Total additions			
	<u>6,437,592</u>	<u>1,200,755</u>	<u>31,663,420</u>
Deductions:			
Benefits	5,147,598	-	-
Administrative and general	1,612,685	1,500	-
Transfers out	252,340	1,196,377	-
Agency fund deductions	-	-	31,417,221
	<u>-</u>	<u>-</u>	<u>31,417,221</u>
Total deductions			
	<u>7,012,623</u>	<u>1,197,877</u>	<u>31,417,221</u>
Excess (deficiency) of total additions over (under) total deductions	(575,031)	2,878	246,199
Cash and cash equivalents - beginning	3,727,058	103,311	1,477,361
	<u>3,727,058</u>	<u>103,311</u>	<u>1,477,361</u>
Cash and cash equivalents - ending	\$ 3,152,027	\$ 106,189	\$ 1,723,560
	<u>\$ 3,152,027</u>	<u>\$ 106,189</u>	<u>\$ 1,723,560</u>

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS

I. 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 Town Council form of government and provides 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, wastewater and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Muncie

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints the board members of the Muncie Indiana Transit System and the Muncie Housing Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The industrial development revolving loan fund accounts for the primary government's loan activity with various businesses.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

The sanitary district fund accounts for the operation of the City's sanitary district department which includes the wastewater utility and trash collection operations.

Additionally, the City reports the following fund types:

The internal service fund accounts for the City's health care program provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds , which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit cemetery clientele and a redevelopment agency.

Agency funds account for assets held by the City as an agent for individuals and other government agencies.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sanitary district department and other functions of the government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

CITY OF MUNCIE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2005, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	2005
C.D. CDBG 03	\$ 2,352
C.D. CDBG 04	6,224
C.D. CDBG 05	81,392
C.D. FY 97 Home Program	20,159
C.D. FY 04 Home Program	9,290
C.D. FY 05 Home Program	86,825
M.P.D. Stop Domestic Violence 05-06	3,197

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and not applying for grant reimbursements; these deficits are to be repaid from future receipts.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the City had the following investments:

Investment Type	Primary Government Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ 2,389,945	\$ 2,389,945	\$ -	\$ -
Repurchase agreements	3,937,746	3,937,746	-	-
Totals	<u>\$ 6,327,691</u>	<u>\$ 6,327,691</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of or interest in an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the City held investments in U.S. Treasury Obligations and repurchase agreements in the amount of \$6,327,691. Of these investments \$6,327,691 were held by the Counterparty.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below:

<u>Standard and Poor's Rating</u>	<u>Government Sponsored Enterprise</u>
AAA	<u>\$ 3,937,746</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>
General Fund	Other Governmental	\$ 857,792
	Internal Service	150,000
Other Governmental	General Fund	938,621
	Other Governmental	501,202
Internal Service	General Fund	152,071
All Others	Other Governmental	1,196,377
	Internal Service	<u>2,071</u>
Total		<u>\$ 3,798,134</u>

The City typically uses transfers to fund ongoing operating subsidies.

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

The City has chosen to establish a risk financing fund for risks associated with job related illnesses and injuries. The risk financing is on a claim by claim basis. Claims are paid from the same fund from which the employee's salary is paid. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per accident and \$650,000 in aggregate to a maximum of \$1,000,000. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. The excess insurance coverage requires having a \$650,000 irrevocable letter of credit on deposit.

Medical Benefits to Employees, Retirees and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Health Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$175,000 and \$8,816,595 in aggregate per year. Settled claims resulting from this risk did not exceed commercial insurance

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon Cobra rates and the number of covered employees which is applied to each affected fund and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

B. Related Party Transactions

During the period for which financial statements are presented, the City had material transactions with Jerry Thornburg, Community Development Director, in relation to disbursements made from community development funds to a program subrecipient, East Central Reinvestment Corporation, in the amount of \$84,393.

C. Holding Corporations

1. The City has entered into a capital lease with Muncie's EDIT Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. The Horizon Civic Center facilities under the lease are included in the capital assets of the primary government and the corresponding lease obligation has been considered to be a contingent liability as described in section E. Lease payments during the year totaled \$300,000.
2. The City has entered into an operating lease with Mun-Del Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$52,530.

D. Subsequent Events

The City has obtained a line of credit in the amount of \$6,000,000 at an interest rate of 4% to provide operating cash for the City in anticipation of future tax revenue. To date, the City has borrowed \$3,630,000 against the line of credit.

The Sanitary District has started Phase II improvements of their sewage works project. Construction bids have been awarded in the amount of \$11,793,000. The total project is estimated to cost approximately \$17,960,000 and the project is being funded by a loan from the State Revolving Loan Fund.

E. Contingent Liabilities

1. Lease Agreement

The City, together with the Delaware Civic Center Authority (the Authority), has entered into a lease agreement with Muncie's EDIT Building Corporation to make lease rental payments on the Horizon Civic Center facility. On October 2, 2001, the City Council passed Ordinance 42-01 which limited the primary government's maximum annual payment to \$300,000. In 2005, the City made the maximum payment of \$300,000.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Litigation

On July 12, 2004, a contractor for the Muncie Sanitary District filed suit against the District seeking additional compensation for work performed in the total amount of \$290,705. A two-day bench trial is to begin in November 2006. The outcome of the litigation can not be predicted.

3. Indiana Department of Environmental Management (IDEM) Administrative Order

In 1996, the United States Environmental Protection Agency (EPA) delegated responsibility for any ground water clean up of a "Superfund" site known as the Muncie Race Track to IDEM. IDEM then issued an administrative order which sought to require Muncie Sanitary District (MSD) and other potentially responsible parties to perform and pay for additional groundwater investigation and to pay unspecified costs IDEM has allegedly incurred or will incur in responding to the contamination at the site. The groundwater investigation was completed, but further actions and potential costs have not been determined.

F. Conduit Debt Obligation

The primary government has issued special facility economic development revenue bonds to provide financial assistance to the Sports and Hobby Development Group of Muncie, Inc., (the Corporation), a not-for-profit corporation, to finance a portion of the cost of a sports complex facility deemed to be in the public interest. The bonds are secured by a loan agreement which pledges repayment of the bonds solely from innkeeper's tax revenues and fees collected by the Corporation. The Corporation may not sell, substitute or lease the sports complex unless certain conditions are met, which include that such action would not adversely affect the ability of the Corporation to make payments and perform its obligations required under the loan agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the not-for-profit entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2005, there was one series of special facility economic development revenue bonds outstanding with an aggregate principal amount payable of \$665,000.

G. Postemployment Benefits

Policemen and Firefighters

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all policemen and firefighters who retire from the City on or after attaining age 60 with at least 15 years of service or age 65 with at least 10 years of service. Currently, 274 retirees meet these eligibility requirements. The City and retirees provide 97% and 3%, respectively, of these postemployment benefits. Disbursements for those post-employment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, disbursements of \$3,238,121 were recognized for postemployment benefits.

Sanitary District Employees

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all full time Sanitary District employees which consist of a continuation of insurance at the time of retirement of either single or family health insurance coverage from age 60 to the employee's "full retirement age" as defined by Social Security.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Also, a Medicare supplement of the District's choice will be provided after the employee's "full retirement age" provided the employee has at least 15 years of service with the District. A full-time employee is also eligible for retiree insurance benefits, as stated above, if the employee's age in years plus years of service of Public Employees Retirement Fund (PERF) participation equals 85 and the employee is at least 55 years of age with at least 15 years of service with the District. Currently, 25 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2005, disbursements of \$86,453 were recognized for postemployment benefits.

H Loans Receivable

Industrial Development Revolving Loans

These loans were made to various businesses for the purposes of establishing a new business, business expansion, equipment purchases, and creating additional jobs. During the year 2005, \$556,881 in new loans was issued. Principal payments received on loans totaled \$767,931. The total balance of loans outstanding at December 31, 2005, was \$2,352,532.

I. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Board of Sanitary Commissioners on December 6, 2005.

J. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

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

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which 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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
	<u> </u>	<u> </u>	<u> </u>
Annual required contribution	\$ 455,508	\$ 4,322,700	\$ 4,998,800
Interest on net pension obligation	(4,273)	429,400	686,400
Adjustment to annual required contribution	4,869	(716,300)	(1,145,200)
	<u> </u>	<u> </u>	<u> </u>
Annual pension cost	456,104	4,035,800	4,540,000
Contributions made	448,468	3,265,520	2,608,520
	<u> </u>	<u> </u>	<u> </u>
Increase in net pension obligation	7,636	770,280	1,931,480
Net pension obligation, beginning of year	(58,936)	6,361,130	10,169,139
	<u> </u>	<u> </u>	<u> </u>
Net pension obligation, end of year	<u>\$ (51,300)</u>	<u>\$ 7,131,410</u>	<u>\$ 12,100,619</u>
Contribution rates:			
City	5%	1,862%	445%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-77	12-31-77
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	0%	0%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 461,392	74%	\$ (32,012)
	06-30-04	373,807	107%	(58,936)
	06-30-05	456,104	120%	(51,300)
1925 Police Officers' Pension Plan	12-31-01	4,036,400	95%	5,006,198
	12-31-02	4,113,200	67%	6,361,130
	12-31-03	4,035,800	81%	7,131,410
1937 Firefighters' Pension Plan	12-31-01	4,344,200	79%	8,549,441
	12-31-02	4,369,600	63%	10,169,139
	12-31-03	4,540,000	57%	12,100,619

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	121	117
Current active employees	2	21

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$1,735,507, \$1,643,564, and \$1,538,023, respectively, equal to the required contributions for each year.

CITY OF MUNCIE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 10,549,645	\$ 10,670,274	\$ (120,629)	99%	\$ 8,461,361	(1%)
07-01-04	10,594,008	11,380,819	(786,811)	93%	8,842,515	(9%)
07-01-05	10,947,756	12,882,404	(1,934,648)	85%	9,322,801	(21%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 670,718	\$ 40,556,200	\$ (39,885,482)	2%	\$ 486,500	(8,198%)
01-01-00	529,791	40,220,000	(39,690,209)	1%	438,600	(9,049%)
01-01-01	1,268,856	40,874,100	(39,605,244)	3%	385,900	(10,263%)
01-01-02	1,998,726	40,446,200	(38,447,474)	5%	364,900	(10,536%)
01-01-03	1,826,659	39,033,500	(37,206,841)	5%	488,500	(7,617%)
01-01-04	866,963	38,410,200	(37,543,237)	2%	232,200	(16,168%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 792,597	\$ 41,624,100	\$ (40,831,503)	2%	\$ 1,232,500	(3,313%)
01-01-00	777,893	42,530,300	(41,752,407)	2%	1,281,800	(3,257%)
01-01-01	1,313,942	43,079,200	(41,765,258)	3%	1,192,800	(3,501%)
01-01-02	2,003,330	42,438,300	(40,434,970)	5%	1,204,000	(3,358%)
01-01-03	2,158,285	41,964,700	(39,806,415)	5%	1,428,000	(2,788%)
01-01-04	1,045,651	42,225,500	(41,179,849)	2%	1,122,500	(3,669%)

CITY OF MUNCIE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-98	\$ 4,214,100	78%
12-31-99	3,950,500	76%
12-31-00	4,022,800	68%
12-31-01	4,211,400	91%
12-31-02	4,316,500	64%
12-31-03	4,322,700	76%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12-31-98	\$ 4,546,100	67%
12-31-99	4,248,400	62%
12-31-00	4,459,600	55%
12-31-01	4,623,900	75%
12-31-02	4,716,800	58%
12-31-03	4,998,800	52%

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	<u>Rainy Day</u>	<u>Park and Recreation</u>	<u>Park Nonreverting</u>	<u>White River Beautification</u>	<u>Bert Whitely</u>	<u>Beech Grove Cemetery Operating</u>	<u>Cumulative Building and Maintenance</u>
Receipts:							
Taxes	\$ -	\$ 1,045,341	\$ -	\$ -	\$ -	\$ 370,983	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	104,728	-	-	-	49,449	6,562
Charges for services	-	442,816	-	-	-	94,808	33,598
Fines and forfeits	-	-	-	-	-	-	-
Other	-	18,190	2,680	-	1,797	10,210	4,688
Total receipts	-	1,611,075	2,680	-	1,797	525,450	44,848
Disbursements:							
General government	-	-	-	-	-	426,376	23,550
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	1,247,360	-	-	5,619	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	-	1,247,360	-	-	5,619	426,376	23,550
Excess (deficiency) of revenue over (under) disbursements	-	363,715	2,680	-	(3,822)	99,074	21,298
Other financing sources (uses)							
Transfers in	-	4,869	-	-	-	-	-
Ice storm clean-up	-	(165,960)	-	-	-	(43,977)	(8,749)
Transfers out	(548,828)	(34,616)	-	(269)	-	(12,730)	-
Total other financing sources (uses)	(548,828)	(195,707)	-	(269)	-	(56,707)	(8,749)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(548,828)	168,008	2,680	(269)	(3,822)	42,367	12,549
Cash basis fund balance - beginning	548,828	180,106	28,775	269	9,316	97,405	91,000
Cash basis fund balance - ending	\$ -	\$ 348,114	\$ 31,455	\$ -	\$ 5,494	\$ 139,772	\$ 103,549
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	-	348,114	31,455	-	5,494	139,772	103,549
Total cash basis assets - December 31	\$ -	\$ 348,114	\$ 31,455	\$ -	\$ 5,494	\$ 139,772	\$ 103,549
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,772	\$ 103,549
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	348,114	31,455	-	5,494	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ -	\$ 348,114	\$ 31,455	\$ -	\$ 5,494	\$ 139,772	\$ 103,549

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Motor Vehicle Highway	Local Road and Street	M.P.D. Smart Team	M.P.D. S.W.A.T. Team	M.P.D. Governors Council Equipment	M.P.D. Drug Interdiction	M.P.D. Bullet Proof Vests Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,335,501	635,866	-	-	-	-	-
Charges for services	3,480	-	-	-	-	-	-
Fines and forfeits	34,545	-	-	-	-	-	-
Other	<u>32,350</u>	<u>8,400</u>	-	-	-	<u>32,554</u>	-
Total receipts	<u>2,405,876</u>	<u>644,266</u>	-	-	-	<u>32,554</u>	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	41,874	-
Highways and streets	2,354,084	644,424	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	<u>2,354,084</u>	<u>644,424</u>	-	-	-	<u>41,874</u>	-
Excess (deficiency) of revenue over (under) disbursements	<u>51,792</u>	<u>(158)</u>	-	-	-	<u>(9,320)</u>	-
Other financing sources (uses)							
Transfers in	175,330	-	-	-	-	-	-
Ice storm clean-up	(268,532)	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(93,202)</u>	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(41,410)</u>	<u>(158)</u>	-	-	-	<u>(9,320)</u>	-
Cash basis fund balance - beginning	<u>314,602</u>	<u>97,731</u>	<u>46</u>	<u>141</u>	<u>9,906</u>	<u>11,165</u>	<u>172</u>
Cash basis fund balance - ending	<u>\$ 273,192</u>	<u>\$ 97,573</u>	<u>\$ 46</u>	<u>\$ 141</u>	<u>\$ 9,906</u>	<u>\$ 1,845</u>	<u>\$ 172</u>
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	<u>273,192</u>	<u>97,573</u>	<u>46</u>	<u>141</u>	<u>9,906</u>	<u>1,845</u>	<u>172</u>
Total cash basis assets - December 31	<u>\$ 273,192</u>	<u>\$ 97,573</u>	<u>\$ 46</u>	<u>\$ 141</u>	<u>\$ 9,906</u>	<u>\$ 1,845</u>	<u>\$ 172</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	46	141	9,906	1,845	172
Highways and streets	273,192	97,573	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ 273,192</u>	<u>\$ 97,573</u>	<u>\$ 46</u>	<u>\$ 141</u>	<u>\$ 9,906</u>	<u>\$ 1,845</u>	<u>\$ 172</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	M.P.D. Drug Task Force Forfeiture	M.P.D. Trading Card Donations	M.P.D. Uniform Forfeiture	M.P.D. Honor Guard Donation	M.P.D. COPS Technology Grant	M.P.D. Dare	M.P.D. K-9
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	110,504	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	106,963	-	-	-	-	-	900
Total receipts	106,963	-	-	-	110,504	-	900
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	56,393	95	-	-	77,489	5,114	2,006
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	56,393	95	-	-	77,489	5,114	2,006
Excess (deficiency) of revenue over (under) disbursements	50,570	(95)	-	-	33,015	(5,114)	(1,106)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	(421)	-	-	-	-	-	-
Total other financing sources (uses)	(421)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	50,149	(95)	-	-	33,015	(5,114)	(1,106)
Cash basis fund balance - beginning	35,195	95	300	156	-	11,295	6,894
Cash basis fund balance - ending	<u>\$ 85,344</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 156</u>	<u>\$ 33,015</u>	<u>\$ 6,181</u>	<u>\$ 5,788</u>
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	85,344	-	300	156	33,015	6,181	5,788
Total cash basis assets - December 31	\$ 85,344	\$ -	\$ 300	\$ 156	\$ 33,015	\$ 6,181	\$ 5,788
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	85,344	-	300	156	33,015	6,181	5,788
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ 85,344	\$ -	\$ 300	\$ 156	\$ 33,015	\$ 6,181	\$ 5,788

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	M.P.D. Traffic Division	Police Arson Investigation	Police Training	M.P.D. LEBG Grant 2001	Law Enforcement Continuing Education	Law Enforcement Block Grant 03-04	M.P.D. Stop Domestic Violence 01-02
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	6,596	-	-
Intergovernmental	-	-	-	-	-	-	8,000
Charges for services	-	-	29,665	-	37,326	-	-
Fines and forfeits	7,410	-	4,775	-	9,562	-	-
Other	1,103	-	-	167	265	552	-
Total receipts	8,513	-	34,440	167	53,749	552	8,000
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	2,952	-	23,322	-	59,604	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	2,952	-	23,322	-	59,604	-	-
Excess (deficiency) of revenue over (under) disbursements	5,561	-	11,118	167	(5,855)	552	8,000
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(43,011)	-
Total other financing sources (uses)	-	-	-	-	-	(43,011)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,561	-	11,118	167	(5,855)	(42,459)	8,000
Cash basis fund balance - beginning	-	1,712	71,132	7,761	133,048	42,459	-
Cash basis fund balance - ending	<u>\$ 5,561</u>	<u>\$ 1,712</u>	<u>\$ 82,250</u>	<u>\$ 7,928</u>	<u>\$ 127,193</u>	<u>\$ -</u>	<u>\$ 8,000</u>
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	5,561	1,712	82,250	7,928	127,193	-	8,000
Total cash basis assets - December 31	<u>\$ 5,561</u>	<u>\$ 1,712</u>	<u>\$ 82,250</u>	<u>\$ 7,928</u>	<u>\$ 127,193</u>	<u>\$ -</u>	<u>\$ 8,000</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	5,561	1,712	82,250	7,928	127,193	-	8,000
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ 5,561</u>	<u>\$ 1,712</u>	<u>\$ 82,250</u>	<u>\$ 7,928</u>	<u>\$ 127,193</u>	<u>\$ -</u>	<u>\$ 8,000</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	M.P.D. Radar Gun Grant	Fire Department Donations	Smoke Alarm For Life	Mun-Del Haz-Mat Team	Clerk's Record Perpetuation	Probation User Fees	M.P.D. COPS Technology Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,790	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	10,842	800	-
Other	-	20,000	-	-	-	-	-
Total receipts	3,790	20,000	-	-	10,842	800	-
Disbursements:							
General government	-	-	-	-	12,620	-	-
Public safety	7,210	-	180	-	-	-	2,018
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	7,210	-	180	-	12,620	-	2,018
Excess (deficiency) of revenue over (under) disbursements	(3,420)	20,000	(180)	-	(1,778)	800	(2,018)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,420)	20,000	(180)	-	(1,778)	800	(2,018)
Cash basis fund balance - beginning	3,420	36,929	810	171	34,693	28,181	2,018
Cash basis fund balance - ending	\$ -	\$ 56,929	\$ 630	\$ 171	\$ 32,915	\$ 28,981	\$ -
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	-	56,929	630	171	32,915	28,981	-
Total cash basis assets - December 31	\$ -	\$ 56,929	\$ 630	\$ 171	\$ 32,915	\$ 28,981	\$ -
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 32,915	\$ -	\$ -
Public safety	-	56,929	630	171	-	28,981	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ -	\$ 56,929	\$ 630	\$ 171	\$ 32,915	\$ 28,981	\$ -

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	M.P.D. Citizens Police Academy	IRIS Camera Donation	Animal Shelter Donation	C.D. CDBG 01	C.D. CDBG 02	C.D. CDBG 03	C.D. CDBG 04
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	2,109	4,438	53,894	509,408
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	3,057	-	-	-	8,577
Total receipts	-	-	3,057	2,109	4,438	53,894	517,985
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	294	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	152	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	2,109	5,000	56,246	554,001
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	294	-	152	2,109	5,000	56,246	554,001
Excess (deficiency) of revenue over (under) disbursements	(294)	-	2,905	-	(562)	(2,352)	(36,016)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(294)	-	2,905	-	(562)	(2,352)	(36,016)
Cash basis fund balance - beginning	294	2,783	12,564	-	-	-	29,792
Cash basis fund balance - ending	\$ -	\$ 2,783	\$ 15,469	\$ -	\$ (562)	\$ (2,352)	\$ (6,224)
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	-	2,783	15,469	-	(562)	(2,352)	(6,224)
Total cash basis assets - December 31	\$ -	\$ 2,783	\$ 15,469	\$ -	\$ (562)	\$ (2,352)	\$ (6,224)
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	2,783	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	15,469	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	(562)	(2,352)	(6,224)
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ -	\$ 2,783	\$ 15,469	\$ -	\$ (562)	\$ (2,352)	\$ (6,224)

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	C.D. CDBG 05	C.D. FY 97 Home Program	C.D. FY 96 Home Program	C.D. FY 94 Home Program	Excess Levy	Economic Development Revolving	C.D. FY 01 Home Program
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	628,378	29,841	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	2,500	-	-	-	148,926	3,250	-
Total receipts	630,878	29,841	-	-	148,926	3,250	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	534,144	50,000	-	-	-	-	842
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	534,144	50,000	-	-	-	-	842
Excess (deficiency) of revenue over (under) disbursements	96,734	(20,159)	-	-	148,926	3,250	(842)
Other financing sources (uses)							
Transfers in	-	-	-	-	911,789	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	(178,126)	-	-	-	-	-	-
Total other financing sources (uses)	(178,126)	-	-	-	911,789	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(81,392)	(20,159)	-	-	1,060,715	3,250	(842)
Cash basis fund balance - beginning	-	-	-	-	-	23,369	842
Cash basis fund balance - ending	\$ (81,392)	\$ (20,159)	\$ -	\$ -	\$ 1,060,715	\$ 26,619	\$ -
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	(81,392)	(20,159)	-	-	1,060,715	26,619	-
Total cash basis assets - December 31	\$ (81,392)	\$ (20,159)	\$ -	\$ -	\$ 1,060,715	\$ 26,619	\$ -
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 1,060,715	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	(81,392)	(20,159)	-	-	-	26,619	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ (81,392)	\$ (20,159)	\$ -	\$ -	\$ 1,060,715	\$ 26,619	\$ -

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	C.D. FY 02 Home Program	C.D. FY 03 Home Program	C.D. FY 04 Home Program	C.D. FY 05 Home Program	Rails to Trails	Victim Advocate 04-05	Victim Advocate 05-06
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	90,672	88,662	267,547	131,040	-	13,069	33,056
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	34,011	191,663	3,623	171,659	28,450	9,250
Total receipts	90,672	122,673	459,210	134,663	171,659	41,519	42,306
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	36,510	41,438
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	182,074	-	-
Urban redevelopment and housing	90,672	122,673	497,000	221,488	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	90,672	122,673	497,000	221,488	182,074	36,510	41,438
Excess (deficiency) of revenue over (under) disbursements	-	-	(37,790)	(86,825)	(10,415)	5,009	868
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	13,343
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(13,343)	-
Total other financing sources (uses)	-	-	-	-	-	(13,343)	13,343
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	-	(37,790)	(86,825)	(10,415)	(8,334)	14,211
Cash basis fund balance - beginning	-	-	28,500	-	10,415	8,334	-
Cash basis fund balance - ending	\$ -	\$ -	\$ (9,290)	\$ (86,825)	\$ -	\$ -	\$ 14,211
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	-	-	(9,290)	(86,825)	-	-	14,211
Total cash basis assets - December 31	\$ -	\$ -	\$ (9,290)	\$ (86,825)	\$ -	\$ -	\$ 14,211
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	14,211
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	(9,290)	(86,825)	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ -	\$ -	\$ (9,290)	\$ (86,825)	\$ -	\$ -	\$ 14,211

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	A Better Way 04-05	A Better Way 05-06	M.P.D. Drug Task Force 04-05	M.P.D. Drug Task Force 05-06	Parking Meter	M.P.D. Stop Domestic Violence 04-05	M.P.D. Stop Domestic Violence 05-06
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	58,758	50,426	32,156	180,000	-	18,325	6,687
Charges for services	-	-	-	-	8,729	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	3
Total receipts	58,758	50,426	32,156	180,000	8,729	18,325	6,690
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	59,684	41,871	34,152	154,216	-	24,519	9,887
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	59,684	41,871	34,152	154,216	-	24,519	9,887
Excess (deficiency) of revenue over (under) disbursements	(926)	8,555	(1,996)	25,784	8,729	(6,194)	(3,197)
Other financing sources (uses)							
Transfers in	-	-	421	-	-	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	421	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(926)	8,555	(1,575)	25,784	8,729	(6,194)	(3,197)
Cash basis fund balance - beginning	926	-	1,575	-	-	6,194	-
Cash basis fund balance - ending	<u>\$ -</u>	<u>\$ 8,555</u>	<u>\$ -</u>	<u>\$ 25,784</u>	<u>\$ 8,729</u>	<u>\$ -</u>	<u>\$ (3,197)</u>
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	-	8,555	-	25,784	8,729	-	(3,197)
Total cash basis assets - December 31	<u>\$ -</u>	<u>\$ 8,555</u>	<u>\$ -</u>	<u>\$ 25,784</u>	<u>\$ 8,729</u>	<u>\$ -</u>	<u>\$ (3,197)</u>
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 8,729	\$ -	\$ -
Public safety	-	8,555	-	25,784	-	-	(3,197)
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ -</u>	<u>\$ 8,555</u>	<u>\$ -</u>	<u>\$ 25,784</u>	<u>\$ 8,729</u>	<u>\$ -</u>	<u>\$ (3,197)</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	M.P.D. Operation Pull Over	M.P.D. OPO/BCC	M.P.D. BCC Seat Belt	M.P.D. DUI Grant	M.P.D. DUI Grant 2005-2006	MLK Signage Donation	M.P.D. JAG Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	24,900	7,500	12,900	27,500	8,750	-	37,127
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	300	107
Total receipts	24,900	7,500	12,900	27,500	8,750	300	37,234
Disbursements:							
General government	-	-	-	-	-	300	-
Public safety	-	-	-	18,900	3,850	-	17,127
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	-	-	-	18,900	3,850	300	17,127
Excess (deficiency) of revenue over (under) disbursements	24,900	7,500	12,900	8,600	4,900	-	20,107
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Ice storm clean-up	-	-	-	-	-	-	-
Transfers out	(25,183)	(7,140)	(15,000)	(8,600)	(875)	-	-
Total other financing sources (uses)	(25,183)	(7,140)	(15,000)	(8,600)	(875)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(283)	360	(2,100)	-	4,025	-	20,107
Cash basis fund balance - beginning	283	-	2,100	-	-	-	-
Cash basis fund balance - ending	\$ -	\$ 360	\$ -	\$ -	\$ 4,025	\$ -	\$ 20,107
Cash Basis Assets - December 31							
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	-	360	-	-	4,025	-	20,107
Total cash basis assets - December 31	\$ -	\$ 360	\$ -	\$ -	\$ 4,025	\$ -	\$ 20,107
Cash Basis Fund Balance - December 31							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	360	-	-	4,025	-	20,107
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	\$ -	\$ 360	\$ -	\$ -	\$ 4,025	\$ -	\$ 20,107

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Alarm Ordinance Fine	Redevelopment Commission Other Projects	Redevelopment Commission	City Bond General	Redevelopment Commission I and P Series A	Redevelopment Commission I and P Series B
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 683,025	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	48,109	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	4,775	-	-	-	-	-
Other	-	14,970	-	-	734	836
Total receipts	4,775	14,970	-	731,134	734	836
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	76,589	-	-	-
Debt service:						
Principal	-	-	-	630,000	305,000	395,000
Interest	-	-	-	21,570	165,007	207,343
Total disbursements	-	-	76,589	651,570	470,007	602,343
Excess (deficiency) of revenue over (under) disbursements	4,775	14,970	(76,589)	79,564	(469,273)	(601,507)
Other financing sources (uses)						
Transfers in	-	119,788	75,116	-	473,699	602,890
Ice storm clean-up	-	-	-	-	-	-
Transfers out	-	-	-	(113,190)	-	-
Total other financing sources (uses)	-	119,788	75,116	(113,190)	473,699	602,890
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,775	134,758	(1,473)	(33,626)	4,426	1,383
Cash basis fund balance - beginning	17,677	496,683	72,443	33,626	1,142	1,331
Cash basis fund balance - ending	\$ 22,452	\$ 631,441	\$ 70,970	\$ -	\$ 5,568	\$ 2,714
Cash Basis Assets - December 31						
Cash with fiscal agent	\$ -	\$ 631,441	\$ 70,970	\$ -	\$ 5,568	\$ 2,714
Restricted assets:						
Cash and cash equivalents	22,452	-	-	-	-	-
Total cash basis assets - December 31	\$ 22,452	\$ 631,441	\$ 70,970	\$ -	\$ 5,568	\$ 2,714
Cash Basis Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	22,452	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Economic development	-	631,441	70,970	-	-	-
Debt service	-	-	-	-	5,568	2,714
Total cash basis fund balance - December 31	\$ 22,452	\$ 631,441	\$ 70,970	\$ -	\$ 5,568	\$ 2,714

CITY OF MUNCIE
 COMBINING SCHEDULE OF CASH BASIS ASSETS AND FUND BALANCES AND
 CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Redevelopment Commission Façade Restoration	EDIT	Cumulative Capital Improvement	Tuhey Pool Diving	Beech Grove Cemetery Thompson Trust	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,099,349
Licenses and permits	-	-	-	-	-	6,596
Intergovernmental	-	1,376,775	208,445	-	-	7,204,872
Charges for services	-	-	-	-	-	650,422
Fines and forfeits	-	-	-	-	-	72,709
Other	7,407	19,286	-	-	816	890,244
Total receipts	7,407	1,396,061	208,445	-	816	10,924,192
Disbursements:						
General government	-	-	-	-	-	462,846
Public safety	-	-	-	-	-	720,705
Highways and streets	-	-	-	-	-	2,998,508
Health and welfare	-	-	-	-	-	152
Culture and recreation	-	-	-	-	-	1,435,053
Urban redevelopment and housing	10,046	931,787	-	-	-	3,152,597
Debt service:						
Principal	125,000	-	-	-	-	1,455,000
Interest	73,367	-	-	-	-	467,287
Total disbursements	208,413	931,787	-	-	-	10,692,148
Excess (deficiency) of revenue over (under) disbursements	(201,006)	464,274	208,445	-	816	232,044
Other financing sources (uses)						
Transfers in	178,126	-	-	-	-	2,555,371
Ice storm clean-up	-	-	-	-	-	(487,218)
Transfers out	-	(225,446)	(208,445)	(4,600)	-	(1,439,823)
Total other financing sources (uses)	178,126	(225,446)	(208,445)	(4,600)	-	628,330
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(22,880)	238,828	-	(4,600)	816	860,374
Cash basis fund balance - beginning	261,209	692,101	-	4,600	29,339	3,543,853
Cash basis fund balance - ending	\$ 238,329	\$ 930,929	\$ -	\$ -	\$ 30,155	\$ 4,404,227
Cash Basis Assets - December 31						
Cash with fiscal agent	\$ 238,329	\$ -	\$ -	\$ -	\$ -	\$ 949,022
Restricted assets:						
Cash and cash equivalents	-	930,929	-	-	30,155	3,455,205
Total cash basis assets - December 31	\$ 238,329	\$ 930,929	\$ -	\$ -	\$ 30,155	\$ 4,404,227
Cash Basis Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 30,155	\$ 1,375,835
Public safety	-	-	-	-	-	557,329
Highways and streets	-	-	-	-	-	370,765
Health and welfare	-	-	-	-	-	15,469
Culture and recreation	-	-	-	-	-	385,063
Economic development	-	930,929	-	-	-	1,453,155
Debt service	238,329	-	-	-	-	246,611
Total cash basis fund balance - December 31	\$ 238,329	\$ 930,929	\$ -	\$ -	\$ 30,155	\$ 4,404,227

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	Firefighter's Pension	Old Plan Pension Relief (Fire)	Police Pension	Old Plan Pension Relief (Police)	Total
Additions:					
Contributions:					
Employer	\$ 1,794,928	\$ -	\$ 1,443,536	\$ -	\$ 3,238,464
Plan members	37,791	-	13,606	-	51,397
State	<u>1,465,038</u>	<u>-</u>	<u>1,432,425</u>	<u>-</u>	<u>2,897,463</u>
Total contributions	<u>3,297,757</u>	<u>-</u>	<u>2,889,567</u>	<u>-</u>	<u>6,187,324</u>
Transfers in	<u>197,268</u>	<u>-</u>	<u>53,000</u>	<u>-</u>	<u>250,268</u>
Total additions	<u>3,495,025</u>	<u>-</u>	<u>2,942,567</u>	<u>-</u>	<u>6,437,592</u>
Deductions:					
Benefits	2,657,417	-	2,490,181	-	5,147,598
Administrative and general	726,704	-	885,981	-	1,612,685
Transfers out	<u>2,072</u>	<u>197,268</u>	<u>-</u>	<u>53,000</u>	<u>252,340</u>
Total deductions	<u>3,386,193</u>	<u>197,268</u>	<u>3,376,162</u>	<u>53,000</u>	<u>7,012,623</u>
Excess (deficiency) of total additions over (under) total deductions	108,832	(197,268)	(433,595)	(53,000)	(575,031)
Cash and cash equivalents - beginning	<u>728,211</u>	<u>861,270</u>	<u>1,142,995</u>	<u>994,582</u>	<u>3,727,058</u>
Cash and cash equivalents - ending	<u>\$ 837,043</u>	<u>\$ 664,002</u>	<u>\$ 709,400</u>	<u>\$ 941,582</u>	<u>\$ 3,152,027</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2005

	Beech Grove Cemetery Trust	Beech Grove Cemetery Grace Maring	Beech Grove Hardin Roads Trust	Redevelopment Commission Allocation	Total
Taxes	\$ -	\$ -	\$ -	\$ 1,197,877	\$ 1,197,877
Investment earnings:					
Interest	833	1,324	716	5	2,878
Total additions	<u>833</u>	<u>1,324</u>	<u>716</u>	<u>1,197,882</u>	<u>1,200,755</u>
Deductions:					
Administrative and general	-	-	-	1,500	1,500
Transfers out	-	-	-	1,196,377	1,196,377
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,197,877</u>	<u>1,197,877</u>
Excess of total additions over total deductions	833	1,324	716	5	2,878
Cash and cash equivalents - beginning	<u>29,913</u>	<u>47,553</u>	<u>25,729</u>	<u>116</u>	<u>103,311</u>
Cash and cash equivalents - ending	<u>\$ 30,746</u>	<u>\$ 48,877</u>	<u>\$ 26,445</u>	<u>\$ 121</u>	<u>\$ 106,189</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	Beech Grove Cemetery Pre-Need	User Fee Law Enforcement Education	Collection Agency Parking Violations	Court Costs Due County	Security Deposits	TIF Central City	TIF Muncie Mall
Additions:							
Agency fund additions	\$ 8,719	\$ 12,033	\$ 2,860	\$ 72,991	\$ -	\$ 203,252	\$ 1,218,765
Deductions:							
Agency fund deductions	5,905	11,913	2,913	72,991	-	10,415	1,197,877
Excess (deficiency) of total additions over (under) total deductions	2,814	120	(53)	-	-	192,837	20,888
Cash and cash equivalents - beginning	108,169	37,862	113	-	3,300	261,246	588,823
Cash and cash equivalents - ending	<u>\$ 110,983</u>	<u>\$ 37,982</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 3,300</u>	<u>\$ 454,083</u>	<u>\$ 609,711</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Redevelopment Tech Park	Insurance Trust	Payroll Withholdings	City Court	Park Damage Deposit Refund Account	Total
Additions:						
Agency fund additions	\$ 26,952	\$ 250,180	\$ 28,827,273	\$ 1,023,003	\$ 17,392	\$ 31,663,420
Deductions:						
Agency fund deductions	-	250,180	28,845,092	1,003,140	16,795	31,417,221
Excess (deficiency) of total additions over (under) total deductions	26,952	-	(17,819)	19,863	597	246,199
Cash and cash equivalents - beginning	-	-	418,287	59,253	308	1,477,361
Cash and cash equivalents - ending	<u>\$ 26,952</u>	<u>\$ -</u>	<u>\$ 400,468</u>	<u>\$ 79,116</u>	<u>\$ 905</u>	<u>\$ 1,723,560</u>

CITY OF MUNCIE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2005

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

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,885,660
Infrastructure	14,611,059
Buildings	27,095,705
Improvements other than buildings	4,298,828
Machinery and equipment	8,306,890
Total governmental activities, capital assets not being depreciated	\$ 56,198,142

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sanitary District:	
Capital assets, not being depreciated:	
Land	\$ 255,670
Construction in progress	1,192,735
Buildings	9,559,519
Improvements other than buildings	24,598,139
Machinery and equipment	10,232,927
Total business-type activities capital assets	\$ 45,838,990

CITY OF MUNCIE
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

For The Year Ended December 31, 2005

CAPITAL LEASES

The Unitttype has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Two Dump Trucks	\$ 139,960	\$ 127,456	\$ 26,297
Street Sweeper	114,000	114,000	38,528
2005 Ford Expedition	41,700	28,460	13,240
2005 Chevrolet Tahoe	43,115	30,392	\$5,856
Total Capital Leases	<u>\$ 338,775</u>	<u>\$ 300,308</u>	<u>\$ 83,339</u>

Governmental Activities:

Bonds payable:

General obligation bonds:

MVH Bonds	\$ 410,000		\$ 130,000
Façade Restoration Bonds, Series 2002	1,255,000		130,000
Revenue bonds:			
Series A TIF Bonds	1,967,599		
Series B TIF Bonds	2,464,670		
Total Governmental Activities Long-Term Debt	<u>\$ 6,097,269</u>		<u>\$ 260,000</u>

Business-type Activities:

Wastewater Utility

Capital Leases	\$ 252,033	\$ 211,687	\$ 47,611
Loans Payable	16,531,495	14,426,495	
Total Business-Type Activities	<u>\$ 16,783,528</u>	<u>\$ 14,638,182</u>	<u>\$ 47,611</u>

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS

DEPOSITS

As noted in the prior Audit Report B25557 and during the current audit period, in numerous instances, receipts collected in the City Engineer and Building Commissioner's office were remitted to the City Controller's office for deposit later than the next business day.

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

As noted in prior Audit Report B25557 and during the current audit period, the City has ordinances concerning various fees collected by the City Engineer and Building Commissioner's office. However, the fees collected did not always agree with those adopted in the ordinances or were not allowed for within the ordinances.

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)

CONTRACTS

The Community Development department officials sign all of their contracts. At times, contracts were between the Community Development recipients and the contractor; however, city checks were made payable to the contractor. Construction and paving disbursements were made without a supporting contract.

Indiana Code 36-4-5-3 states in part: "The executive shall: sign all bonds, deeds, and contracts of the city and all licenses issued by the city."

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)

PAID LEAVE ACCRUALS - SANITARY DISTRICT

As noted in prior Audit Reports B23897 and B25557 and during the current audit period, a review of compliance with Sanitary District paid leave policies disclosed the following instance of noncompliance:

The paid leave accrual date used for the Sanitary District Administrator, May 3, 1993, was the date he started as a member of the Sanitary Board of Commissioners rather than the date he started the full time position of Sanitary District Administrator which was January 30, 2000. Per the Sanitary District Employee Policy, only full time employees earn paid leave. In 2005, the vacation leave accrual for the Administrator was 20 days. If the January 30, 2000, date was used, the Administrator would have received 10 days.

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)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balances of the CDBG 97 Fund, CDBG 02 Fund, CDBG 03 Fund, CDBG 04 Fund, CDBG 05 Fund, FY 04 HOME Program Fund, FY 05 HOME Program Fund and MPD Stop Domestic Violence 2005 Fund were overdrawn in 2005.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE FROM MUNCIE HOUSING AUTHORITY

In order to begin the Millennium Place Hope VI project, there was a verbal agreement between the Muncie Housing Authority, Muncyana Partnership and the City of Muncie in 2003. The Muncyana Partnership for Community Reinvestment, LLC was supposed to receive funding from the Muncie Housing Authority to fund the Millennium Place Hope VI project. The federal government did not release funds to the Muncie Housing Authority. It was agreed that the City would fund the project with community development funds. The Muncie Housing Authority would then reimburse the City once grant funds were received. As of May 2006, the City has received \$418,587 from the Muncie Housing Authority leaving a balance owed of \$583,202.

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)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK DEPARTMENT DEPOSITS

As noted in prior Audit Reports B23897 and B25557 and during the current audit period, a test of Park Department deposits indicated that collections were routinely deposited later than the next business day.

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."

CAPITAL ASSET RECORDS - CITY

A review of capital asset records disclosed the following:

1. Infrastructure records did not include all costs relating to construction projects which were in progress.
2. In a test observation of ten Toro mowers listed for Prairie Creek Park, only six were on hand.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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. 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)

CAPITAL ASSET RECORDS - MUNCIE SANITARY DISTRICT

Capital asset records initially presented for review did not include transactions for the year 2005. Officials were given time to update the records. A review of the updated records disclosed the following:

1. Assets were added which had been purchased prior to 2005 and previously omitted.
2. Assets were removed for which the actual year of disposal could not be determined.
3. Sanitary sewers for which construction was completed in 2005 were not recorded.
4. Approximately \$14,000,000 of construction costs relating to completed Phase I of Treatment Plant improvements had not been recorded.

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. 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)

CLOTHING PURCHASES - SANITARY DISTRICT

As noted in prior Audit Report B25557 and during the current audit period, the Sanitary District purchases clothing for their employees, but does not have a formal written policy covering the purchases. Inquiry disclosed that departments within the District were not using the same criteria for making the purchases. Some set a dollar amount and some have a number of items limit. It has also been the practice to allow employees to purchase any number of Sanitary District logo shirts and the District pays half of the cost. Since there is no formal written policy covering the purchase of clothing for the employees, it is not clear if the purchases were all work related or for personal use.

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)

PAYROLL PROCEDURES

A test of employee time cards from one payroll period disclosed that 30% of the time cards tested had not been signed by the Department Head or their designee indicating approval of the time card. The 30% not signed were made up of 67% Sanitary District employees and 33 % City employees. Employee agreements require that time cards must be reviewed and approved by the employee's department head, or his/her designee, or the employee's immediate supervisor.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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)

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)

DISBURSEMENTS FOR LEGAL SERVICES - CITY COURT

The Public Defender for the City Court has been paid as an employee of the City. The salary for the Public Defender was included in the City's salary ordinance. The Public Defender was included as a member of the Public Employees' Retirement Fund (PERF) and received the same insurance benefits provided to full-time employees of the City. There were no employment contracts with the Public Defender and the prescribed form 99A, Employee Service Record, or other approved time record was not maintained for the position. The responsible officials of the City should review this position to determine whether or not it qualifies for PERF and other employee benefits as defined in the City's personnel manual. The responsible officials of the City should also contact the IRS for further guidance on applicable withholding and reporting rules and regulations for the Public Defender position.

Indiana Code 33-40-8-1 authorizes the Judge of any court having criminal jurisdiction to contract with any attorney or group of attorneys admitted to practice law in Indiana to provide legal counsel for all or some of the poor persons coming before the court charged with the commission of a crime and not having sufficient means to employ an attorney to defend themselves. If City officials have decided to employ a Public Defender in lieu of contracting, Indiana Code 5-11-9-2 would require the use of forms prescribed by the State Board of Accounts for all related accounts or vouchers for personal services. We have prescribed general form 99A, Employee Service Record for compliance with this law.

RECEIPT DEPOSITS - ANIMAL SHELTER

A test of Animal Shelter collections to determine if the collections were remitted to the City Controller by the next business day disclosed that 67% of the collections tested were remitted to City Controller for deposit later than the next business day.

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

CONTRACTS

As noted in prior Audit Reports B23897 and B25557 and during the current audit period, payments to the Muncie Urban Enterprise Association (UEA) exceeded the contract amount. The contract amount was \$150,000; however, the City disbursed \$185,268 on behalf of UEA resulting in an overpayment of \$35,268.

The contract states in part: "The amount of the payment will be determined by the Mayor's Economic Development Income Tax (EDIT) plan and will cover the calendar year of 2005." The amount established per the Mayor's Edit Plan for 2005 and 2006 noted a pledge of \$150,000 for UEA.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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)

EXPENSES NOT RELATED TO THE FUNCTION OR PURPOSE OF THE GOVERNMENTAL UNIT

The following disbursements made during the audit period do not relate to the function or purposes of the governmental unit or were promotional in nature and not paid from a promotional account:

City:

Wellness training for school athletes - \$3,000
Football Camp Scholarship Donation - \$1,000
Muncie Firefighter Local 1348 Donation - \$750
Youth Drug Awareness Seminar Meal - \$1,250

Sanitary District:

Employee meals (2005 ice storm clean up) - \$7,542
Mowing the banks of the White River - \$105,382
Reuse center expenses - \$29,490

The Sanitary District is reimbursed for a portion of Reuse center expenses from the East Central Indiana Solid Waste District. The unit could not provide documentation for individual disbursements reimbursed.

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)

EXCESSIVE OR UNREASONABLE COSTS - NEWSLETTER

As noted in prior Audit Report B25557 and during the current audit period, the Muncie Sanitary District pays to have a professionally produced internal newsletter. For the year 2005, the cost of the newsletter was \$15,108.

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)

RECEIPT DEPOSITS - CITY CONTROLLER

As noted in the prior Audit Reports B23897 and B25557 and during the current audit period, receipts did not note type of payment received (i.e., cash or check).

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE – CITY CONTROLLER

As noted in prior Audit Report B25557 and during the current audit period, receipts are not issued at the time of collection.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT OF SEIZED/CONFISCATED PROPERTY

As noted in prior Audit Reports B14766, B16971, B19302, B21583, B23897, and B25557, and during the current audit period, money seized by the Muncie Police Department and Muncie-Delaware County Drug Task Force under Indiana Code 34-4-30.1 was receipted to the M.P.D. Interdiction Fund and the Drug Task Force Forfeiture Fund. The Court Orders either ordered the money to be receipted to the City of Muncie General Fund, Account 227-00-367011 or to the City of Muncie General Fund, Account 231-204-39071. The account numbers stated are separate funds and not receipt accounts within the City General Fund. No proceeds from seized property were receipted to the City General Fund.

The Muncie-Delaware County Drug Task Force deposits all confiscated monies into a checking account. The record balance had not been reconciled to the bank balance. There was no trust record detailing whose funds comprise the record balance.

Indiana Code 34-24-1-4(d) states in part: "If the court enters judgement in favor of the state, or the state and a unit (if appropriate), the court shall, subject to section 5 of this chapter (1) determine the amount of law enforcement costs; and (2) order that: (A) the property, if not money or real property, be sold under section 6 of this chapter, by the sheriff of the county in which it was seized, if the property is a vehicle, this sale shall occur after any period of use specified in subsection (c); (B) the property, if it is real property, be sold in the same manner as real property is sold on execution under IC 34-55-6 (C); the proceeds of the sale or the money be deposited in the general fund of the state or the unit that employed the law enforcement office that seized the property;..."

Indiana Code 34-24-1-2(b) states: "When property is seized under subsection (a), the law enforcement agency making the seizure may, pending final disposition: (1) place the property under seal; (2) remove the property to a place designated by the court; or (3) require another agency authorized by law to take custody of the property and remove it to an appropriate location."

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

MISSING INVENTORY

During an investigation by the Indiana State Police, it was noted that materials purchased during the January 2005 ice storm were missing. A sample of 48 chainsaws and 15 polesaws were selected for review. Only 14 of the 48 chainsaws sampled were observed and 12 chainsaws with no serial numbers were observed leaving 22 chainsaws unaccounted for. Only 7 of the 15 polesaws were observed. The estimated missing inventory totaled approximately \$8,800.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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, 2005. 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; 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.

As described in items 2005-1, 2005-2, 2005-3, 2005-4, 2005-5, and 2005-6 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Davis Bacon Act, eligibility, procurement and suspension and debarment, reporting, subrecipient monitoring and special tests and provisions that are applicable to its Community Development Block Grant and Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2005.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

The 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2005-1, 2005-4 and 2005-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2005-1 and 2005-4 to be material weaknesses.

This report is intended solely for the information and use of the City's management and 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

July 19, 2006

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity 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			
Community Development Grants/Entitlement Grants	14.218		
		B-97-MC-18-0010	\$ 29,841
		B-01-MC-18-0010	2,109
		B-02-MC-18-0010	4,439
		B-03-MC-18-0010	48,660
		B-04-MC-18-0010	516,009
		B-05-MC-18-0010	<u>827,174</u>
Total for program			<u>1,428,232</u>
Direct Grant			
Home Investment Partnerships Program	14.239		
		M-02-MC-18-0206	90,672
		M-03-MC-18-0206	121,342
		M-04-MC-18-0206	485,053
		M-05-MC-18-0206	<u>143,753</u>
Total for program			<u>840,820</u>
Total for federal grantor agency			<u>2,269,052</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grants Program	16.592		
		2004-LB-BX-1292	<u>34,243</u>
Pass-Through Indiana Criminal Justice Institute			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		
		2005-DN-BX-K036	<u>7,644</u>
Crime Victim Assistance	16.575		
		04VA038	54,368
		04VA039	10,660
		05VA025	67,623
		05VA026	<u>36,354</u>
Total for program			<u>169,005</u>
Byrne Formula Grant Program	16.579		
		03DB-011	30,929
		04DB-034	<u>158,591</u>
Total for program			<u>189,520</u>
Violence Against Women Formula Grants	16.588		
		04ST013	19,760
		05ST013	<u>6,776</u>
Total for program			<u>26,536</u>
Public Safety Partnership and Community Policing Grants	16.710		
		2002CKWX0056	2,018
		2005CKWX0177	<u>77,489</u>
Total for program			<u>79,507</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
		2005-DJ-BX-1158	<u>17,127</u>
Total for federal grantor agency			<u>523,582</u>

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

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Planning and Construction	20.205	DEM-IN40(1) DEM-IN48(023)	19,486 <u>1,668</u>
Total for program			<u>21,154</u>
Pass-Through Indiana Department of Transportation Recreational Trails Program	20.219	STP-BIKE(1)	<u>52,199</u>
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety	20.600	PT-06-04-07-07 OP-05-02,T-03,P-37	7,140 <u>25,183</u>
Total for program			<u>32,323</u>
Safety Incentive Grants for Use of Seatbelts	20.604	IN-05-02,T-03,P-7	<u>15,000</u>
DUI Task Force Indiana	20.XXX	154AL-05-03,T-03,P-75	<u>27,500</u>
Traffic Safety Grant - DUI	20.XXX	154AL-06-03-03-03	<u>7,950</u>
Total for federal grantor agency			<u>156,126</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW06121802	<u>454,270</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Public Assistance Grants	97.036	1573	<u>2,490,586</u>
Hazard Mitigation Grant	97.039	2005	<u>175,499</u>
Total for federal grantor agency			<u>2,666,085</u>
Total federal awards expended			<u>\$ 6,069,115</u>

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

CITY OF MUNCIE
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. 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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2005:

Program Title	Federal CFDA Number		Federal CFDA Number
Community Development			
Grants/Entitlement Grants	14.218	\$	404,359
Home Investment Partnerships Program	14.239		90,870
Crime Victim Assistance	16.575		109,184
Byrne Formula Grant Program	16.579		74,000

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Qualified – 14.218 and 14.239
Unqualified – 66.458 and 97.036

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.036	Public Assistance Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-1, SUBRECIPIENTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The unit failed to properly monitor subrecipients during the audit period. There was no written agreement to support subrecipient payments disbursed to the Munsyana Partnership for Community Reinvestment, LLC. The agreement to support subrecipient payments to Muncie Community Schools was not signed.

The Housing and Urban Development Code of Federal Regulations, Title 24, Part 91, Section 91.1 states in part: "For jurisdictions that seek funding under CDBG, the following certifications are required: (2) Community development plan. A certification that this consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objective of the statute authorizing the CDBF program."

The Housing and Urban Development Code of Federal Regulations, Title 24, Part 91, Section 91.230 states in part: "The plan must describe the standards and procedures that the jurisdiction will use to monitor activities carried out in furtherance of the plan and will use to ensure long-term compliance with requirements of the programs involved, including minority business outreach and the comprehensive planning requirements."

The Consolidated Plan for Fiscal Year 2004 states: "All subrecipients will be monitored during the fiscal year." A form is presented in the plan for the monitoring of the subrecipients.

The Housing and Urban Development Code of Federal Regulations, Title 24 CFR 570.200(f) states in part: "Means of carrying out eligible activities. (1) Activities eligible under this subpart, other than those authorized under 570.204(a), may be undertaken, subject to local law: (i) By the recipient through: (A) Its employees, or (B) Procurement contracts governed by the requirements of 24 CFR 85.36; or (ii) Through loans or grants under agreements with subrecipients, as defined at 570.500(c)..."

We recommended the unit monitor subrecipients in accordance with the Housing and Urban Development Code of Federal Regulations.

FINDING 2005-2, RESIDENTIAL REHABILITATION PROJECTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The scope of work (improvements required for the residence) was not incorporated into the residential rehabilitation contracts. There was no evidence of the inspection of the rehabilitation work upon completion of the project to assure that it was carried out in accordance with the scope of work.

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

The Housing and Urban Development Code of Federal Regulations, Title 24, Part 570.506 states in part: "Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum, the following records are needed:... (b) Records demonstrating that each activity undertaken meets on the criteria set forth in 570.208... (b)(9)(iii) Details and scope of CDBG assisted rehabilitation, by structure."

We recommended the unit incorporate the scope of work into residential rehabilitation contracts and to provide evidence of a final inspection upon completion of the project in accordance with the Housing and Urban Development Code of Federal Regulations.

FINDING 2005-3, DAVIS BACON ACT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

Federal expenditures were made for paving. The contractor did not submit certified payrolls to the Community Development department for review.

29CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction states in part: "Non-federal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls)."

We recommended the unit comply with the Davis-Bacon Act and the DOL regulations.

FINDING 2005-4, SUBRECIPIENTS

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

There were no records indicating that regular monitoring for program compliance was taking place for three of the five subrecipients requested. There were no written agreements to support subrecipient payments disbursed to the Muncie Homeownership and Development Center and the Muncyana Partnership for Community Reinvestment, LLC.

In 2004, there was a verbal agreement with the Muncie Homeownership and Development Center to assist in building a new home. The proceeds from the sale of the home were to be used to reimburse the City for claims originally paid which totaled \$28,349. Reimbursement was received on April 24, 2006.

The Muncyana Partnership for Community Reinvestment, LLC was to receive funding from the Muncie Housing Authority to fund the Millennium Place Hope VI project. The federal government did not release funds to the Muncie Housing Authority. In order to begin the project, there was a verbal agreement between the

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

Muncie Housing Authority, Muncyana Partnership and the City of Muncie. The City would fund the project with community development funds. The Muncie Housing Authority would then reimburse the City once grant funds were received. In May 2006, the City had received \$418,587 from the Muncie Housing Authority, leaving a balance owed of \$583,202.

HOME Regulations 24 CFR 92.504 states in part, "The participating jurisdiction is responsible for managing the day to day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The use of State recipients, subrecipients, or contractors does not relieve the participating jurisdiction of this responsibility. The performance of each contractor and subrecipient must be reviewed at least annually. Before disbursing any HOME funds to any entity, the participating jurisdiction must enter into a written agreement with that entity. Before disbursing any HOME funds to any entity, a State recipient, subrecipient, or contractor which is administering all or a part of the HOME program on behalf of the participating jurisdiction, must also enter into a written agreement with that entity. The written agreement must ensure compliance with the requirements of this part."

We recommended the unit monitor subrecipients and obtain written agreements for all subrecipients in accordance with HOME Regulations.

FINDING 2005-5. ELIGIBILITY OF INDIVIDUALS

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

The monitoring report from the Department of Housing and Urban Development dated August 25, 2004, stated in part: "Self certification of client income eligibility as low and moderate income was present in each file. However, because regular monitoring has not taken place, it cannot be determined if actual source documentation exists to verify income eligibility of HOME fund recipients. Self-certification alone is not adequate for determining client eligibility." Regular monitoring was not taking place in 2005.

HOME Regulations 24 CFR Part 92.203(a) states in part, "1. For families who are tenants in HOME-assisted housing and not receiving HOME tenant-based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (a)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any one of the following methods in accordance with Sec. 92.252(h): i. Examine the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family. ii. Obtain from the family a written statement of the family's annual income and family size, along with a certification that information is complete and accurate . . . iii. Obtain a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family . . . 2. For all other families, the participating jurisdiction must determine annual income by examining the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family."

We recommended the unit obtain proper source documentation to verify income eligibility with HOME Regulations.

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

FINDING 2005-6, REPORTING OF PROGRAM DISBURSEMENT AND INFORMATION SYSTEM

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

Program disbursement and information system information was not reported in Integrated Disbursement and Information System (IDIS) in an accurate and timely manner resulting in inaccurate reporting. There are several CDBG activities listed as "underway" in IDIS. Since these activities have not been reported as completed in IDIS, the system reports that these funds have been spent, but no accomplishments have been achieved.

HOME Regulations 24 CFR Part 92.502(d)(1) states, "Complete project completion information must be entered into the disbursement and information system, or otherwise provided, within 120 days of the final project drawdown. If satisfactory project completion information is not provided, HUD may suspend further project set-ups or take other corrective actions."

We recommended the unit report program information into IDIS in accordance with HOME Regulations.



MAYOR'S OFFICE
CITY OF MUNCIE, INDIANA

Dan C. Canan, Mayor
Phyllis J. Amburn, Deputy Mayor

May 9, 2006

FINDING NO. 2004-2 DAVIS BACON ACT

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: No Changes

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The contract for paving reviewed did not include a provision that the contractor would comply with the requirements of Davis-Bacon Act and DOL Regulations. Certified payrolls were not submitted to the Community Development Department.

29CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction states in part: "Non-federal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Response: There have been no changes.

FINDING NO. 2004-3 RESIDENTIAL REHABILITATION PROJECTS

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: No Changes

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The scope of work (improvements required for the residence) was not incorporated into the residential rehabilitation contracts. There was no evidence of the inspection of the rehabilitation work upon completion of the project to assure that it was carried out in accordance with the scope of work.

The housing and Urban Development of Federal Regulations, Title 23, Part 570.506 states in part: "Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum the following records are needed :... (b) Records demonstrating that each activity undertaken meets the criteria set forth in 570.208... (b)(9)(iii) Details and scope of CDBG assisted rehabilitation, by structure."

Response: There have been no changes.

FINDING NO. 2004-4 SUBECIPIENTS

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: No Changes

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The unit failed to properly monitor subrecipients during the audit period.

The Housing and Urban Development Code of Federal Regulations, Title 24, Part 91, Section 91.1 states in part: "For Jurisdictions that seek funding under CDBG, the following certifications are required: (2) Community Development plan. A certification that this consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objective of the statute authorizing the CDBG program."

The Housing and Urban Development Code of Federal Regulations, Title 24, Part 91, Section 91.230 states in part: "The plan must describe the standards and procedures that the jurisdiction will use to monitor activities carried out in furtherance of the plan and will use to ensure long term compliance with requirements of the programs involved, including minority business outreach and the comprehensive planning requirements.

The Consolidated Plan for Fiscal Year 2004 states: "All subrecipients will be monitored during the fiscal year." A form is presented in the plan for the monitoring of the subrecipients.

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Response: There have been no changes.

FINDING NO. 2004-5 REPORTING OF PROGRAM DISBURSEMENT AND INFORMATION SYSTEM

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: Corrected

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

Program disbursement and information system information was not reported in the Integrated Disbursement and information System (IDIS) in an accurate and timely manner resulting in inaccurate reporting. There are several CDBG activities listed as "underway" in IDIS. Since these activities have not been reported as completed in IDIS, the system reports that these funds have been spent, but no accomplishments have been achieved.

The Housing and Urban Development Code of Federal Regulations, Title 23, Part 570.506 states in part: "Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part..."

Response: This finding is closed. No further action is required as per letter dated February 22, 2006 from Robert F. Poffenberger, Director, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, Indianapolis Office.

FINDING NO. 2004-6 CONFLICT OF INTEREST

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: Corrected

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The spouse of the Community Development Director is the Executive Director of the East Central Reinvestment Corporation, a not-for-profit. A subrecipient agreement allows for the payment of federal monies from the City to the East Central Reinvestment Corporation. A Uniform Conflict of Interest Disclosure Statement was not filed.

The Housing and Urban Development Code of Federal Regulations, Title 24, Part 570.611(a)(2) states in part: "In all cases not governed by 24CFR 85.36 and 84.42, the provisions of this section shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient or by its subrecipients to individuals, businesses, and other private entities under eligible activities that authorized such assistance...(d)(1)(i) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and (d)(1)(ii) An opinion of the recipient's attorney that the interest for which the exception is sought would not violate State or local law."

Response: This finding is closed. No further action is required as per letter dated February 22, 2006 from Robert F. Poffenberger, Director, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, Indianapolis Office.

FINDING NO. 2004-7 SUBRECIPIENTS

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: No Changes

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.218

There were no records indicating that regular monitoring for program compliance was taking place. Also, there were no written agreements to support subrecipient payments disbursed to the Munsyana Partnership for Community Reinvestment, LLF and Muncie Homeownership and Development Center. There was a verbal agreement with the Muncie Homeownership and Development Center to assist in building a new home. The proceeds from the sale of the home were to be used to reimburse the City for claims originally paid which totaled \$28,349. No reimbursement has been received from the organization.

Home Regulations 24 CFR 92.504 states in part: "The participating jurisdiction is responsible for managing the day to day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The use of State recipients, subrecipients, or contractors does not relieve the participating jurisdiction of this responsibility. Before disbursing any HOME funds to any entity, the participating jurisdiction must enter into a written agreement with that entity. Before disbursing any HOME funds to any entity, a State recipient, subrecipient, or contractor which is administering all or a part of the HOME program on behalf of the participating jurisdiction, must also enter into a written agreement with that entity. The written agreement must ensure compliance with the requirements of this part."

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Response: There have been no changes.

FINDING NO. 2004-8 ELIGIBILITY OF INDIVIDUALS AND COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: 1) Monitoring No Changes
2) Requalification Corrected

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

Self certification of client income eligibility as low and moderate income was present in the unit's files, however, it could not be determined if actual source documentation existed to verify income eligibility of HOME fund recipients since regular monitoring had not taken place.

The City must requalify an organization as a Community Housing Development Organization (CHDO) each time HOME funds are provided. There was no evidence that the City had ensured that some organizations still met necessary criteria for CHDO certification.

HOME Regulations 24 CFR Part 92.203(a) states in part: "1. For families who are tenants in HOME-assisted housing and not receiving HOME tenant based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (a)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any one of the following methods in accordance with Sec. 92.252(h): i. Examine the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the family. ii. Obtain from the family a written statement of the family's

annual income and family size, along with a certification that information is complete and accurate...iii. Obtain a written statement from the administration of a government program under which the family receives benefits and which examines each year the annual income of the family...2. For all other families, the participating jurisdiction must determine annual income by examining the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the family.”

HOME Regulations 24 CFR Part 92.2 states in part: “Community Housing development organization means a private nonprofit organization that: 1. Is organized under state or local laws. 2. Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual. 3. Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization...4. Has a tax exemption ruling from the Internal Revenue Service...5. Does not include a public body (including the participating jurisdiction)...6. Has standards of financial accountability that conform to 24 CR 84.21,”Standards for Financial Management Systems.” 7. Has among its purpose the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolution or by-laws. 8. Maintains accountability to low-income community residents...9. Has a demonstrated capacity for carrying out activities assisted with HOME funds...10. Has a history of serving the community within which housing to e assisted with HOME funds to be located..” HUD strongly recommends re-certification of CHDOs annually.

Response:

- 1) There have been no changes.
- 2) Requalification:

This finding is closed. No further action is required as per letter dated February 22, 2006 from Robert F. Poffenberger, Director, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, Indianapolis Office.

FINDING NO. 2004-9 ON SITE INSPECTION FOR RENTAL HOUSING

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: Corrected

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

Rental project files indicate that regular inspection of completed units was not being performed on an ongoing basis.

HOME Regulations 24 CFR Part 92.504(5)(d) states in part: "During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards of 92.251, and to verify the information submitted by the owners in accordance with the requirements of 92.252..."

Response: This finding is closed. No further action is required as per letter dated February 22, 2006 from Robert F. Poffenberger, Director, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, Indianapolis Office.

FINDING NO. 2004-10 REPORTING OF PROGRAM DISBURSEMENT AND INFORMATION SYSTEM

Original SBA Audit Report Number: B25557
Fiscal Year: 2004
Auditee Contact Person: Ron Anderson
Title of Contact Person: Deputy Director
Community Development
Phone Number: 765.747.4825
Status of Finding: Changes are being made

Finding:

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.218

Program disbursement and information system information was not reported in the Integrated Disbursement and Information System (IDIS) in an accurate and timely manner resulting in accurate reporting. There are several CDBG activities listed as "underway" in IDIS. Since these activities have not been reported as completed in IDIS, the system reports that these funds have been spent, but no accomplishments have been achieved.

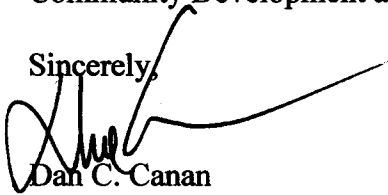
HOME Regulations 24 CFR Part 92.502(d) (1) states: "Complete project completion information must be entered into the disbursement and information system, or otherwise provided, within 120 days of the final project drawdown. If satisfactory project completion information is not provided, HUD may suspend further project set-ups or take other corrective actions.

Response: Corrections and project completions are being made in IDIS.

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If you have any additional questions, please contact Ron Anderson, Deputy Director,
Community Development at 765-747-4825 or email at randerson@cityofmuncie.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan C. Canan", with a long, sweeping horizontal line extending to the right.

Dan C. Canan
Mayor
City of Muncie



City of MUNCIE
MUNCIE, INDIANA

July 19, 2006

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

*A copy of the original findings is referred to in this response and is attached for reference.
Only the response to each finding is listed below.*

FINDING 2005- 1 – SUBRECIPIENTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The Community Development Department has monitored all subrecipients for FY2005 which ended May 31, 2006. The files are signed, documented and complete.

FINDING 2005- 2 – RESIDENTIAL REHABILITATION PROJECTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The Community Development Department began incorporating the inclusion of the Scope of Work and wage rates in non-residential contracts with the first contract issued after the finding. This date was September 8, 2005. The residential rehabilitation contract inclusion began January 1, 2006. This additional requirement is currently being complied with. The requirement that the final inspection on the projects be documented and in the file has been implemented.

FINDING 2005- 3 – DAVIS BACON ACT

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.218

The Community Development Department file is complete.

FINDING 2005- 4 – SUBRECIPIENTS

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

Sub-part – 1 – Muncie Homeownership and Development Center reimbursement of \$28,349 was received and processed on April 24, 2006.

Sub-part – 2 – The City received partial payment of \$418,587.35 on June 1, 2006. The Muncie Housing Authority made a commitment at that time that the balance would be paid as funds are received from HUD on a monthly basis.

FINDING 2005- 5 – ELIGIBILITY OF INDIVIDUALS

Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

Monitoring is now taking place on a regular basis.

FINDING 2005-6 – REPORTING OF PROGRAM DISBURSEMENT AND INFORMATION SYSTEM

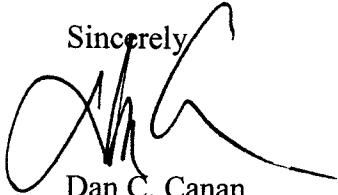
June 12, 2006
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Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number: 14.239

The City had hired a consultant to work with staff on IDIS issues. In house training was held on February 23-24, 2006. The federal IDIS system cleanup effort is being updated on a regular basis.

Should you have any questions, please contact Ron Anderson, Deputy Director, Community Development at 765-747-4825, via email at communitydev@cityofmuncie.com or via postal service at 300 North High Street, Muncie, IN 47305.

Sincerely

A handwritten signature in black ink, appearing to read 'Dan C. Canan', with a large, sweeping flourish extending to the right.

Dan C. Canan
Mayor
City of Muncie

Enclosure

CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2006, with Daniel C. Canan, Mayor; Mary Ann Kratochvil, Controller; Elizabeth DeVoe, President of the Board of Public Works and Safety; Sam Marshal, City Council member, William B. Smith, President of the Board of Sanitary Commissioners; Jonna S. Reese, Sanitary District Financial Manager; and Michael K. Rost, Sanitary District Administrator.

The contents of this report were also discussed on April 25, 2006, with Linda Ralu Wolf, Judge of Muncie City Court.