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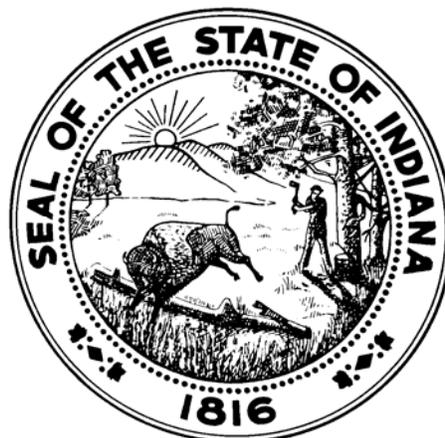
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF MUNCIE

DELAWARE COUNTY, INDIANA



FILED
08/23/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Jerry Chauvin Mary Ann Kratochvil	01-01-06 to 03-24-06 03-25-06 to 12-31-07
Mayor	Daniel C. Canan	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Elizabeth DeVoe	01-01-06 to 12-31-07
President of the Common Council	William Shroyer	01-01-06 to 12-31-07
President of the Board of Sanitary Commissioners	Jonna S. Reece Vacant William B. Smith	01-01-06 to 05-12-06 05-13-06 to 05-14-06 05-15-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2006, 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.

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, 2006, 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 9, 2007, 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, Schedule 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 9, 2007



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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, 2006, and have issued our report thereon dated July 9, 2007. 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.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the City on July 9, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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. However, we noted certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

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. Our consideration of the internal control over financial reporting 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 also considered to be material weaknesses. Of the reportable condition described above, we consider item 2006-1 to be a material weakness.

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
(Continued)

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on July 9, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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 9, 2007

CITY OF MUNCIE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

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	\$ 19,630,654	\$ 6,291,572	\$ 15,024	\$ 270,275	\$ (13,053,783)	\$ -	\$ (13,053,783)
Public safety	16,743,520	410,469	454,413	19,654	(15,858,984)	-	(15,858,984)
Highways and streets	2,865,974	93,653	2,516,950	641,844	386,473	-	386,473
Economic development	5,629,384	-	3,313,600	51,262	(2,264,522)	-	(2,264,522)
Health and welfare	291,152	82,010	-	-	(209,142)	-	(209,142)
Culture and recreation	1,449,280	448,754	53,592	1,118	(945,816)	-	(945,816)
Interest on long-term debt	485,800	-	-	-	(485,800)	-	(485,800)
Total governmental activities	47,095,764	7,326,458	6,353,579	984,153	(32,431,574)	-	(32,431,574)
Business-type activities:							
Sanitary District	22,994,159	9,198,355	206,696	-	-	(13,589,108)	(13,589,108)
Total primary government	\$ 70,089,923	\$ 16,524,813	\$ 6,560,275	\$ 984,153	(32,431,574)	(13,589,108)	(46,020,682)
General receipts:							
Property taxes					17,688,643	6,482,926	24,171,569
Intergovernmental receipts:							
Financial institution tax					191,975	79,297	271,272
Auto and aircraft excise tax					851,874	390,259	1,242,133
Vehicle inventory tax					83,811	32,328	116,139
County option income tax					3,414,180	1,053,132	4,467,312
ABC excise tax					40,523	-	40,523
ABC gallonage					137,125	-	137,125
Cigarette tax					65,698	-	65,698
Riverboat distribution					424,324	-	424,324
Loans					5,397,275	6,363,313	11,760,588
Unrestricted investment earnings					158,151	321,894	480,045
Other:							
Miscellaneous					1,889,164	4,236	1,893,400
Reimbursements					78,020	-	78,020
Special items:							
FEMA ice storm grant					191,840	1,674,707	1,866,547
Transfers					1,182,261	-	1,182,261
Total general receipts, special items, and transfers					31,794,864	16,402,092	48,196,956
Change in net assets					(636,710)	2,812,984	2,176,274
Net assets - beginning					6,536,403	6,029,538	12,565,941
Net assets - ending					\$ 5,899,693	\$ 8,842,522	\$ 14,742,215
Assets							
Cash and investments					\$ 1,190,051	\$ 1,473,372	\$ 2,663,423
Cash with fiscal agent					1,657,788	-	1,657,788
Restricted assets:							
Cash and investments					3,051,854	7,369,150	10,421,004
Total assets					\$ 5,899,693	\$ 8,842,522	\$ 14,742,215
Net Assets							
Restricted for:							
General government					\$ 991,802	\$ -	\$ 991,802
Public safety					457,288	-	457,288
Highways and streets					443,834	-	443,834
Health and welfare					19,982	-	19,982
Culture and recreation					232,509	-	232,509
Economic development					2,354,952	-	2,354,952
Debt service					209,275	-	209,275
Sanitation					-	7,369,150	7,369,150
Unrestricted					1,190,051	1,473,372	2,663,423
Total net assets					\$ 5,899,693	\$ 8,842,522	\$ 14,742,215

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

CITY OF MUNCIE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Redevelopment Commission Other Projects	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 16,645,661	\$ -	\$ 1,042,983	\$ 17,688,644
Licenses and permits	164,903	-	11,209	176,112
Intergovernmental	5,411,906	-	7,330,647	12,742,553
Charges for services	703,010	-	669,452	1,372,462
Fines and forfeits	299,017	-	148,478	447,495
Other	174,457	31,846	1,737,782	1,944,085
Total receipts	23,398,954	31,846	10,940,551	34,371,351
Disbursements:				
General government	5,124,714	-	505,907	5,630,621
Public safety	19,279,050	-	824,804	20,103,854
Highways and streets	-	-	3,222,674	3,222,674
Health and welfare	344,708	-	1,244	345,952
Culture and recreation	-	-	1,586,480	1,586,480
Urban redevelopment and housing	-	-	4,847,799	4,847,799
Debt service:				
Principal	-	-	1,010,000	1,010,000
Interest	-	-	485,800	485,800
Total disbursements	24,748,472	-	12,484,708	37,233,180
Excess (deficiency) of receipts over disbursements	(1,349,518)	31,846	(1,544,157)	(2,861,829)
Other financing sources (uses):				
Loan proceeds	5,397,275	-	-	5,397,275
Transfers in	1,440,324	118,143	1,719,036	3,277,503
Transfers out	(34,110)	-	(2,061,132)	(2,095,242)
Loan repayments	(4,630,000)	-	-	(4,630,000)
Total other financing sources (uses)	2,173,489	118,143	(342,096)	1,949,536
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	823,971	149,989	(1,886,253)	(912,293)
Cash and investment fund balance - beginning	366,080	631,441	5,284,558	6,282,079
Cash and investment fund balance - ending	<u>\$ 1,190,051</u>	<u>\$ 781,430</u>	<u>\$ 3,398,305</u>	5,369,786
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis 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 Activities and Net Assets - Cash and Investment Basis.				
				<u>529,907</u>
Net assets of governmental activities				<u>\$ 5,899,693</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 1,190,051	\$ -	\$ -	\$ 1,190,051
Cash with fiscal agent	-	781,430	876,358	1,657,788
Restricted assets:				
Cash and investments	-	-	2,521,947	2,521,947
Total cash and investment assets - December 31	\$ 1,190,051	\$ 781,430	\$ 3,398,305	\$ 5,369,786
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
General government	\$ -	\$ -	\$ 461,895	\$ 461,895
Public safety	-	-	457,288	457,288
Highways and streets	-	-	443,834	443,834
Health and welfare	-	-	19,982	19,982
Culture and recreation	-	-	232,509	232,509
Urban redevelopment and housing	-	781,430	1,573,522	2,354,952
Debt service	-	-	209,275	209,275
Unrestricted	1,190,051	-	-	1,190,051
Total cash and investment fund balance - December 31	\$ 1,190,051	\$ 781,430	\$ 3,398,305	\$ 5,369,786

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

CITY OF MUNCIE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Sanitary</u>	<u>Service</u>
	<u>District</u>	<u>Fund</u>
Operating receipts:		
Residential	\$ 4,364,631	\$ -
Commercial	1,703,859	-
Industrial	583,786	-
Governmental and institutional	1,933,134	-
Penalties	230,679	-
Special assessments	124,251	-
Reimbursements	393,853	-
Employee/employer contributions	-	9,569,461
Other	70,858	321,350
	<u>9,405,051</u>	<u>9,890,811</u>
Total operating receipts		
Operating disbursements:		
Sanitation	5,418,617	-
Wastewater collection, treatment and disposal	14,756,677	-
Customer accounts	610,471	-
Administration and general	1,097,072	849,910
Insurance disbursements	-	8,765,320
	<u>21,882,837</u>	<u>9,615,230</u>
Total operating disbursements		
Excess (deficiency) of operating receipts over operating disbursements	<u>(12,477,786)</u>	<u>275,581</u>
Nonoperating receipts (disbursements):		
Property taxes	6,482,926	-
Intergovernmental revenue	1,555,016	-
FEMA ice storm grant	1,674,707	-
SRF loan proceeds	6,363,313	-
Interest and investments	321,894	-
Miscellaneous receipts	4,236	-
Debt service - principal	(698,198)	-
Debt service - interest	(413,124)	-
	<u>15,290,770</u>	<u>-</u>
Total nonoperating receipts		
Excess of receipts over disbursements and nonoperating receipts	2,812,984	275,581
Cash and investment fund balance - beginning	<u>6,029,538</u>	<u>254,326</u>
Cash and investment fund balance - ending	<u>\$ 8,842,522</u>	<u>\$ 529,907</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ 1,473,372	\$ -
Restricted assets:		
Cash and investments	<u>7,369,150</u>	<u>529,907</u>
Total cash and investment assets - December 31	<u>\$ 8,842,522</u>	<u>\$ 529,907</u>
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
General government	\$ -	\$ 529,907
Sanitation	7,369,150	-
Unrestricted	<u>1,473,372</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 8,842,522</u>	<u>\$ 529,907</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 AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 3,190,093	\$ -	\$ -
Plan members	82,568	-	-
State	3,654,746	-	-
Total contributions	<u>6,927,407</u>	<u>-</u>	<u>-</u>
Taxes	-	1,181,431	-
Investment earnings:			
Interest	-	4,979	-
Transfers in	289,418	-	-
Agency fund additions	-	-	31,947,472
Total additions	<u>7,216,825</u>	<u>1,186,410</u>	<u>31,947,472</u>
Deductions:			
Benefits	8,516,308	-	-
Administrative and general	16,488	1,500	-
Transfers out	291,748	1,179,931	-
Agency fund deductions	-	-	31,012,186
Total deductions	<u>8,824,544</u>	<u>1,181,431</u>	<u>31,012,186</u>
Excess (deficiency) of total additions over total deductions	(1,607,719)	4,979	935,286
Cash and investment fund balance - beginning	<u>3,152,025</u>	<u>106,189</u>	<u>1,723,560</u>
Cash and investment fund balance - ending	<u>\$ 1,544,306</u>	<u>\$ 111,168</u>	<u>\$ 2,658,846</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 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 displays 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 non-exchange revenues. Business-type activities are financed 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 fund:

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 redevelopment commission other projects fund was created to cover expenses for the Muncie Mall project that were not covered by the original TIF bond issue.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary fund:

The sanitary district fund accounts for the operation of the City's Sanitary District which includes the wastewater utility, storm water 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 funds report trust arrangements 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, or (2) law through constitutional provisions or enabling legislation.
- 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

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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 and Net Assets – Cash and Investment Basis.

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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Prior to the first required publication, 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. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
Local Road and Street	\$ 25,000
Motor Vehicle Highway	77,682
Sanitation	64,091
Total	\$ 166,773

These disbursements were funded by greater than anticipated receipts.

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, 2006, the City had the following investments:

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 1,387,696

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 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, 2006, the City held investments in U.S. Treasury Obligations in the amount of \$1,387,696. Of these investments \$1,387,696 were held by the counterparty.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
General Fund	Other governmental	\$ 34,110
Other governmental	General Fund	1,440,324
	Other governmental	620,808
All others	Redevelopment Commission	
	Other Projects	118,143
	Other governmental	1,064,118
	All others	<u>289,418</u>
Total		<u>\$ 3,566,921</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Segment Information

The Muncie Sanitary District obtained loans from the Indiana State Revolving Loan Fund to finance improvements to the wastewater treatment facilities. Money for the loans originated from revenue bonds issued by the State. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the wastewater utility is presented below.

<u>Condensed Statement of Cash and Investment Net Assets</u>		<u>2006</u>
Cash and investment assets:		
Cash and investments		\$ 1,950
Restricted assets		<u>4,434,871</u>
Total cash and investment assets		<u>\$ 4,436,821</u>
Cash and investment net assets:		
Restricted for:		
Debt service reserve and capital improvements		\$ 4,434,871
Unrestricted		<u>1,950</u>
Total cash and investment net assets		<u>\$ 4,436,821</u>

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Receipts, Disbursements and Changes in Cash and Investment Net Assets	
	2006
Receipts (pledged against loans)	\$ 9,022,165
Operating disbursements	<u>(13,366,464)</u>
Deficiency of receipts over disbursements	<u>(4,344,299)</u>
Nonoperating receipts (disbursements):	
Interest received	172,596
Loan proceeds	6,363,313
Loan interest	(399,617)
Loan principal	<u>(645,000)</u>
Total nonoperating receipts	<u>5,491,292</u>
Excess of receipts over disbursements and nonoperating receipts	1,146,993
Beginning cash and investment net assets	<u>3,289,828</u>
Ending cash and investment net assets	<u><u>\$ 4,436,821</u></u>

D. Restatements and Reclassifications

For the year ended December 31, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent investments omitted from the prior financial statement.

Opinion Unit	Balance as Reported December 31, 2005	Prior Period Adjustments	Balance as Restated January 1, 2006
Business-type activities - Sanitary District	<u>\$ 5,993,538</u>	<u>\$ 36,000</u>	<u>\$ 6,029,538</u>

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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 fund 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.

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 \$9,392,508 in aggregate per year. Settled claims resulting from this risk did not exceed commercial insurance 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 Sara Shade, Board of Works member, in relation to legal fees paid to Beasley & Gilkison Attorneys, of which she is one of five partners, in the amount of \$276,960. The City also had material transactions with Jerry Thornburg, Community Development Director, in relation to disbursements made from community development funds to East Central Reinvestment Corporation, for which Mr. Thornburg's spouse was Director, in the amount of \$132,873.

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 \$150,000.
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 Justice Center 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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Subsequent Events

1. Muncie Sanitary District Storm Water Revenue Bond Issue

The Muncie Sanitary District is in the process of issuing revenue bonds with a final maturity date in 2017 in the total amount of \$5,000,000. The bonds are being issued for the reconstruction and extension of existing storm water systems and installation of new storm water pipes and ditches. The net revenues of the Sanitary District Sewage Works, which includes the Storm Water Department, have been pledged for repayment of the bonds; however, the bonds are expected to be repaid only from storm water fees levied on property owners within the boundaries of the Sanitary District. The total project costs are estimated to be \$5,113,000. Costs in excess of the bond issue are to be funded from interest income on investments.

2. Redevelopment Commission Revenue Bond Issue

The Muncie City Council and the Redevelopment Commission in 2006 approved the issuance of Redevelopment District Taxable Tax Increment and Economic Development Income Tax Revenue Bonds in an amount not to exceed \$6,000,000. The bond issue will be used to pay for the acquisition of an existing building and real estate for the Sallie Mae Project and the construction of certain local public improvements. Currently, no bonds have been issued.

3. Settlement of Lawsuit

In July 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. The suit was settled in May 2007, for the sum of \$110,000.

4. Tax Anticipation Line of Credit

The City has obtained a line of credit in the amount of \$9,000,000 at an interest rate of 4% in anticipation of 2007 tax revenue. To date, the City has borrowed \$6,575,000 against the line of credit.

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 2006, the City made a payment of \$150,000.

2. 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 the IDEM. IDEM then issued an administrative order which seeks 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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, there was one series of special facility economic development revenue bonds outstanding with an aggregate principal amount payable of \$635,000.

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 and age 65 with at least 10 years of service. Currently, 288 retirees meet these eligibility requirements. The City and retirees provide 77% and 23%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, disbursements of \$2,436,497 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 consists 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. 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, 2006, disbursements of \$127,226 were recognized for postemployment benefits.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2006, \$1,600,950 in new loans were issued, and principal payments received on loans totaled \$534,197. The total balance of loans outstanding at December 31, 2006, was \$3,418,001.

I. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Board of Sanitary Commissioners on December 6, 2005, and amended for industrial users on February 28, 2006.

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:

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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 594,794	\$ 4,444,700	\$ 5,117,500
Interest on net pension obligation	(3,719)	421,800	816,800
Adjustment to annual required contribution	4,238	(736,900)	(1,427,000)
Annual pension cost	595,313	4,129,600	4,507,300
Contributions made	428,450	3,423,781	2,637,400
Increase in net pension obligation	166,863	705,819	1,869,900
Net pension obligation, beginning of year	(51,300)	6,248,710	12,100,619
Net pension obligation, end of year	<u>\$ 115,563</u>	<u>\$ 6,954,529</u>	<u>\$ 13,970,519</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5%	2,229%	583%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-05	01-01-05
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	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 373,807	107%	\$ (58,936)
	06-30-05	456,104	98%	(51,300)
	06-30-06	595,313	94%	115,563
1925 Police Officers' Pension Plan	12-31-02	4,152,300	66%	5,436,830
	12-31-03	4,077,400	80%	6,248,710
	12-31-04	4,129,600	83%	6,954,529
1937 Firefighters' Pension Plan	12-31-02	4,369,600	63%	10,169,139
	12-31-03	4,540,000	57%	12,100,619
	12-31-04	4,507,300	59%	13,970,519

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	122	125
Current active employees	2	14

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.

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:

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 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, 2006, 2005, and 2004, were \$1,795,750, \$1,735,507, and \$1,643,564, 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)
07-01-04	\$ 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%)
07-01-06	11,470,521	12,582,526	(1,112,005)	91%	8,853,403	(13%)

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)
01-01-00	\$ 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%)
01-01-05	1,141,596	37,038,100	(35,896,504)	3%	199,400	(18,002%)

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)
01-01-00	\$ 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%)
01-01-05	726,383	39,111,300	(38,384,917)	2%	877,100	(4,376%)

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		
		City	State	Combined
12-31-99	\$ 3,950,500	*	*	76%
12-31-00	4,022,800	*	*	93%
12-31-01	4,211,400	*	*	91%
12-31-02	4,316,500	*	*	64%
12-31-03	4,322,700	*	*	76%
12-31-04	4,444,700	44%	33%	77%

1937 Firefighters' Pension Plan

Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	Combined
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%
12-31-04	5,117,500	26%	26%	52%

*The information to separate the percentage between City and State was not available.

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	<u>Park and Recreation</u>	<u>Park Nonreverting</u>	<u>Bert Whitely</u>	<u>Way Finding Signs</u>	<u>Beech Grove Cemetery Operating</u>	<u>Cumulative Building and Maintenance</u>
Receipts:						
Taxes	\$ 791,408	\$ -	\$ -	\$ -	\$ 221,874	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	58,079	-	-	-	24,689	-
Charges for services	448,754	-	-	-	88,935	27,293
Fines and forfeits	-	-	-	-	-	-
Other	11,426	5,075	2,849	10,800	8,056	9,252
Total receipts	<u>1,309,667</u>	<u>5,075</u>	<u>2,849</u>	<u>10,800</u>	<u>343,554</u>	<u>36,545</u>
Disbursements:						
General government	-	-	-	-	453,269	52,540
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	1,409,924	26,469	3,035	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	<u>1,409,924</u>	<u>26,469</u>	<u>3,035</u>	<u>-</u>	<u>453,269</u>	<u>52,540</u>
Excess (deficiency) of receipts over disbursements	<u>(100,257)</u>	<u>(21,394)</u>	<u>(186)</u>	<u>10,800</u>	<u>(109,715)</u>	<u>(15,995)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(30,717)	-	-	-	(256)	-
Total other financing sources (uses)	<u>(30,717)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(256)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(130,974)</u>	<u>(21,394)</u>	<u>(186)</u>	<u>10,800</u>	<u>(109,971)</u>	<u>(15,995)</u>
Cash and investment fund balance - beginning	<u>348,114</u>	<u>31,455</u>	<u>5,494</u>	<u>-</u>	<u>139,772</u>	<u>103,549</u>
Cash and investment fund balance - ending	<u>\$ 217,140</u>	<u>\$ 10,061</u>	<u>\$ 5,308</u>	<u>\$ 10,800</u>	<u>\$ 29,801</u>	<u>\$ 87,554</u>
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	<u>217,140</u>	<u>10,061</u>	<u>5,308</u>	<u>10,800</u>	<u>29,801</u>	<u>87,554</u>
Total cash and investment assets - December 31	<u>\$ 217,140</u>	<u>\$ 10,061</u>	<u>\$ 5,308</u>	<u>\$ 10,800</u>	<u>\$ 29,801</u>	<u>\$ 87,554</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ 10,800	\$ 29,801	\$ 87,554
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	217,140	10,061	5,308	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 217,140</u>	<u>\$ 10,061</u>	<u>\$ 5,308</u>	<u>\$ 10,800</u>	<u>\$ 29,801</u>	<u>\$ 87,554</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Motor Vehicle Highway	Local Road and Street	M.P.D. Smart Team	M.P.D. S.W.A.T. Team	M.P.D. Gov. Council Equipment	M.P.D. Drug Interdiction
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,520,730	625,083	-	-	-	-
Charges for services	3,480	-	-	-	-	-
Fines and forfeits	90,173	-	-	-	-	-
Other	31,277	25,000	-	-	-	71,191
Total receipts	2,645,660	650,083	-	-	-	71,191
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	72,393
Highways and streets	2,556,552	666,122	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	2,556,552	666,122	-	-	-	72,393
Excess (deficiency) of receipts over disbursements	89,108	(16,039)	-	-	-	(1,202)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	89,108	(16,039)	-	-	-	(1,202)
Cash and investment fund balance - beginning	273,192	97,573	46	141	9,906	1,845
Cash and investment fund balance - ending	<u>\$ 362,300</u>	<u>\$ 81,534</u>	<u>\$ 46</u>	<u>\$ 141</u>	<u>\$ 9,906</u>	<u>\$ 643</u>
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	362,300	81,534	46	141	9,906	643
Total cash and investment assets - December 31	<u>\$ 362,300</u>	<u>\$ 81,534</u>	<u>\$ 46</u>	<u>\$ 141</u>	<u>\$ 9,906</u>	<u>\$ 643</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	46	141	9,906	643
Highways and streets	362,300	81,534	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 362,300</u>	<u>\$ 81,534</u>	<u>\$ 46</u>	<u>\$ 141</u>	<u>\$ 9,906</u>	<u>\$ 643</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	M.P.D. Bullet Proof Vests Grant	M.P.D. Drug Task Force Forfeiture	M.P.D. Uniform Forfeiture	M.P.D. Honor Guard Donation	M.P.D. COPS Technology Grant	M.P.D. Dare
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	19,654	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	55,410	-	-	-	-
Total receipts	19,654	55,410	-	-	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	5,926	77,017	-	42	33,015	54
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	5,926	77,017	-	42	33,015	54
Excess (deficiency) of receipts over disbursements	13,728	(21,607)	-	(42)	(33,015)	(54)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(89)	-	-	-	-
Total other financing sources (uses)	-	(89)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,728	(21,696)	-	(42)	(33,015)	(54)
Cash and investment fund balance - beginning	172	85,344	300	156	33,015	6,181
Cash and investment fund balance - ending	<u>\$ 13,900</u>	<u>\$ 63,648</u>	<u>\$ 300</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 6,127</u>
Cash and Investment Assets - December 31						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	13,900	63,648	300	114	-	6,127
Total cash and investment assets - December 31	<u>\$ 13,900</u>	<u>\$ 63,648</u>	<u>\$ 300</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 6,127</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	13,900	63,648	300	114	-	6,127
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 13,900</u>	<u>\$ 63,648</u>	<u>\$ 300</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 6,127</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	M.P.D. K-9	M.P.D. Traffic Division	Police Arson Investigation	M.P.D. Cops Cold Case	Police Training	M.P.D. LEGB Grant 2001
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	3,465	-	30,000	-	-
Charges for services	-	-	-	-	35,226	-
Fines and forfeits	-	27,180	-	-	8,809	-
Other	415	-	-	-	178	123
Total receipts	415	30,645	-	30,000	44,213	123
Disbursements:						
General government	-	-	-	-	-	-
Public safety	1,498	3,465	-	-	53,921	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	1,498	3,465	-	-	53,921	-
Excess (deficiency) of receipts over disbursements	(1,083)	27,180	-	30,000	(9,708)	123
Other financing sources (uses):						
Transfers in	-	-	-	-	32,741	-
Transfers out	-	(32,741)	-	(26,999)	-	(8,051)
Total other financing sources (uses)	-	(32,741)	-	(26,999)	32,741	(8,051)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,083)	(5,561)	-	3,001	23,033	(7,928)
Cash and investment fund balance - beginning	5,788	5,561	1,712	-	82,250	7,928
Cash and investment fund balance - ending	<u>4,705</u>	<u>-</u>	<u>1,712</u>	<u>3,001</u>	<u>105,283</u>	<u>-</u>
Cash and Investment Assets - December 31						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	4,705	-	1,712	3,001	105,283	-
Total cash and investment assets - December 31	<u>4,705</u>	<u>-</u>	<u>1,712</u>	<u>3,001</u>	<u>105,283</u>	<u>-</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	4,705	-	1,712	3,001	105,283	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>4,705</u>	<u>-</u>	<u>1,712</u>	<u>3,001</u>	<u>105,283</u>	<u>-</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Law Enforcement Continuing Education	M.P.D. Emergency Gas Award	Fire Department Donations	Smoke Alarm For Life	Mun-Del Haz-Mat Team	Clerk's Record Perpetuation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	11,209	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	41,595	-	-	-	-	-
Fines and forfeits	8,994	-	-	-	-	8,918
Other	-	-	20,000	-	-	-
Total receipts	61,798	-	20,000	-	-	8,918
Disbursements:						
General government	-	-	-	-	-	-
Public safety	109,954	-	3,824	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	109,954	-	3,824	-	-	-
Excess (deficiency) of receipts over disbursements	(48,156)	-	16,176	-	-	8,918
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(48,156)	-	16,176	-	-	8,918
Cash and investment fund balance - beginning	127,193	8,000	56,929	630	171	32,915
Cash and investment fund balance - ending	<u>\$ 79,037</u>	<u>\$ 8,000</u>	<u>\$ 73,105</u>	<u>\$ 630</u>	<u>\$ 171</u>	<u>\$ 41,833</u>
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	79,037	8,000	73,105	630	171	41,833
Total cash and investment assets - December 31	<u>\$ 79,037</u>	<u>\$ 8,000</u>	<u>\$ 73,105</u>	<u>\$ 630</u>	<u>\$ 171</u>	<u>\$ 41,833</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,833
Public safety	79,037	8,000	73,105	630	171	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 79,037</u>	<u>\$ 8,000</u>	<u>\$ 73,105</u>	<u>\$ 630</u>	<u>\$ 171</u>	<u>\$ 41,833</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Probation User Fees	IRIS Camera Donation	Animal Shelter Donation	C.D. CDBG 01	C.D. CDBG 02	C.D. CDBG 03
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	474	1,653	13,432
Charges for services	-	-	-	-	-	-
Fines and forfeits	290	-	-	-	-	-
Other	-	-	5,757	-	-	-
Total receipts	290	-	5,757	474	1,653	13,432
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	1,244	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	474	1,091	11,080
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	-	-	1,244	474	1,091	11,080
Excess (deficiency) of receipts over disbursements	290	-	4,513	-	562	2,352
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	290	-	4,513	-	562	2,352
Cash and investment fund balance - beginning	28,981	2,783	15,469	-	(562)	(2,352)
Cash and investment fund balance - ending	29,271	2,783	19,982	-	-	-
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	29,271	2,783	19,982	-	-	-
Total cash and investment assets - December 31	29,271	2,783	19,982	-	-	-
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	29,271	2,783	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	19,982	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	29,271	2,783	19,982	-	-	-

CITY OF UNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	C.D. CDBG 04	C.D. CDBG 05	C.D. CDBG 06	C.D. FY 97 Home Program	Economic Development Revolving	Excess Levy
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	71,350	842,921	536,118	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	36,164	557	-	1,500	-
Total receipts	71,350	879,085	536,675	-	1,500	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	63,967	785,443	366,685	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	63,967	785,443	366,685	-	-	-
Excess (deficiency) of receipts over disbursements	7,383	93,642	169,990	-	1,500	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	15,505
Transfers out	-	-	(178,000)	-	-	(1,060,715)
Total other financing sources (uses)	-	-	(178,000)	-	-	(1,045,210)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,383	93,642	(8,010)	-	1,500	(1,045,210)
Cash and investment fund balance - beginning	(6,224)	(81,392)	-	(20,159)	26,619	1,060,715
Cash and investment fund balance - ending	<u>\$ 1,159</u>	<u>\$ 12,250</u>	<u>\$ (8,010)</u>	<u>\$ (20,159)</u>	<u>\$ 28,119</u>	<u>\$ 15,505</u>
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	1,159	12,250	(8,010)	(20,159)	28,119	15,505
Total cash and investment assets - December 31	<u>\$ 1,159</u>	<u>\$ 12,250</u>	<u>\$ (8,010)</u>	<u>\$ (20,159)</u>	<u>\$ 28,119</u>	<u>\$ 15,505</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,505
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	1,159	12,250	(8,010)	(20,159)	28,119	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 1,159</u>	<u>\$ 12,250</u>	<u>\$ (8,010)</u>	<u>\$ (20,159)</u>	<u>\$ 28,119</u>	<u>\$ 15,505</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	C.D. FY 01 Home Program	C.D. FY 02 Home Program	C.D. FY 03 Home Program	C.D. FY 04 Home Program	C.D. FY 05 Home Program	C.D. FY 06 Home Program
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,970	822	2,711	79,367	146,530	108,789
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	446,949	7,148
Total receipts	1,970	822	2,711	79,367	593,479	115,937
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	1,970	822	2,711	77,986	176,503	58,778
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	1,970	822	2,711	77,986	176,503	58,778
Excess (deficiency) of receipts over disbursements	-	-	-	1,381	416,976	57,159
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	1,381	416,976	57,159
Cash and investment fund balance - beginning	-	-	-	(9,290)	(86,825)	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ (7,909)	\$ 330,151	\$ 57,159
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	(7,909)	330,151	57,159
Total cash and investment assets - December 31	\$ -	\$ -	\$ -	\$ (7,909)	\$ 330,151	\$ 57,159
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	(7,909)	330,151	57,159
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ -	\$ -	\$ -	\$ (7,909)	\$ 330,151	\$ 57,159

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Rails to Trails	Environmental Enhancement	Victim Advocate 05-06	Victim Advocate 06-07	A Better Way 05-06	A Better Way 06-07
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	11,019	19,083	55,275	48,184
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	147,052	7,421	28,400	25,218	-	-
Total receipts	147,052	7,421	39,419	44,301	55,275	48,184
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	53,630	35,662	63,830	48,184
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	147,052	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	147,052	-	53,630	35,662	63,830	48,184
Excess (deficiency) of receipts over disbursements	-	7,421	(14,211)	8,639	(8,555)	-
Other financing sources (uses):						
Transfers in	-	204,615	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	204,615	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	212,036	(14,211)	8,639	(8,555)	-
Cash and investment fund balance - beginning	-	-	14,211	-	8,555	-
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 212,036</u>	<u>\$ -</u>	<u>\$ 8,639</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	212,036	-	8,639	-	-
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ 212,036</u>	<u>\$ -</u>	<u>\$ 8,639</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ 212,036	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	8,639	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ 212,036</u>	<u>\$ -</u>	<u>\$ 8,639</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	M.P.D. Drug Task Force 05-06	M.P.D. Drug Task Force 06-07	M.P.D. Drug Task Force 06-07	Parking Meter	M.P.D. Stop Domestic Violence 2005	M.P.D. OPO/BCC
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	115,000	27,450	-	20,062	45,025
Charges for services	-	-	-	24,169	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	115,000	27,450	24,169	20,062	45,025
Disbursements:						
General government	-	-	-	98	-	-
Public safety	25,874	115,000	27,393	-	16,865	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	25,874	115,000	27,393	98	16,865	-
Excess (deficiency) of receipts over disbursements	(25,874)	-	57	24,071	3,197	45,025
Other financing sources (uses):						
Transfers in	90	-	-	-	-	-
Transfers out	-	-	-	-	-	(45,385)
Total other financing sources (uses)	90	-	-	-	-	(45,385)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(25,784)	-	57	24,071	3,197	(360)
Cash and investment fund balance - beginning	25,784	-	-	8,729	(3,197)	360
Cash and investment fund balance - ending	\$ -	\$ -	\$ 57	\$ 32,800	\$ -	\$ -
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	57	32,800	-	-
Total cash and investment assets - December 31	\$ -	\$ -	\$ 57	\$ 32,800	\$ -	\$ -
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ 32,800	\$ -	\$ -
Public safety	-	-	57	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ -	\$ -	\$ 57	\$ 32,800	\$ -	\$ -

CITY OF UNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	OPO/BCC Grant 06-07	M.P.D DUI Grant 2005-2006	M.P.D DUI Grant 2006-2007	M.P.D. Speed Grant	M.P.D. JAG Grant	Alarm Ordinance Fine
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	8,000	36,350	10,500	25,000	20,232	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	4,114
Other	-	-	-	-	826	-
Total receipts	8,000	36,350	10,500	25,000	21,058	4,114
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	27,950	2,205	17,745	20,232	9,125
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	-	27,950	2,205	17,745	20,232	9,125
Excess (deficiency) of receipts over disbursements	8,000	8,400	8,295	7,255	826	(5,011)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(7,910)	(12,425)	(805)	(7,140)	-	-
Total other financing sources (uses)	(7,910)	(12,425)	(805)	(7,140)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	90	(4,025)	7,490	115	826	(5,011)
Cash and investment fund balance - beginning	-	4,025	-	-	20,107	22,452
Cash and investment fund balance - ending	\$ 90	\$ -	\$ 7,490	\$ 115	\$ 20,933	\$ 17,441
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	90	-	7,490	115	20,933	17,441
Total cash and investment assets - December 31	\$ 90	\$ -	\$ 7,490	\$ 115	\$ 20,933	\$ 17,441
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	90	-	7,490	115	20,933	17,441
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 90	\$ -	\$ 7,490	\$ 115	\$ 20,933	\$ 17,441

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Redevelopment Commission	Industrial Development Revolving Loan	MVH Principal Interest	City Bond General	Redevelopment Commission I and P Series A	Redevelopment Commission I and P Series B
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 29,701	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	2,013	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	11,524	741,238	-	-	1,407	1,706
Total receipts	11,524	741,238	-	31,714	1,407	1,706
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	67,172	1,652,090	-	-	-	-
Debt service:						
Principal	-	-	130,000	-	330,000	420,000
Interest	-	-	23,077	52,530	141,195	176,781
Total disbursements	67,172	1,652,090	153,077	52,530	471,195	596,781
Excess (deficiency) of receipts over disbursements	(55,648)	(910,852)	(153,077)	(20,816)	(469,788)	(595,075)
Other financing sources (uses):						
Transfers in	50,842	-	153,078	21,286	467,187	594,601
Transfers out	-	-	-	(470)	-	-
Total other financing sources (uses)	50,842	-	153,078	20,816	467,187	594,601
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,806)	(910,852)	1	-	(2,601)	(474)
Cash and investment fund balance - beginning	70,970	1,511,772	-	-	5,568	2,714
Cash and investment fund balance - ending	<u>\$ 66,164</u>	<u>\$ 600,920</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,967</u>	<u>\$ 2,240</u>
<u>Cash and Investment Assets - December 31</u>						
Cash with fiscal agent	\$ 66,164	\$ 600,920	\$ -	\$ -	\$ 2,967	\$ 2,240
Restricted assets:						
Cash and investments	-	-	1	-	-	-
Total cash and investment assets - December 31	<u>\$ 66,164</u>	<u>\$ 600,920</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,967</u>	<u>\$ 2,240</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	66,164	600,920	-	-	-	-
Debt service	-	-	1	-	2,967	2,240
Total cash and investment fund balance - December 31	<u>\$ 66,164</u>	<u>\$ 600,920</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,967</u>	<u>\$ 2,240</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Redevelopment Commission Façade Restoration	EDIT	Cumulative Capital Improvement	Beech Grove Cemetery Thompson Trust	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,042,983
Licenses and permits	-	-	-	-	11,209
Intergovernmental	-	1,558,723	240,894	-	7,330,647
Charges for services	-	-	-	-	669,452
Fines and forfeits	-	-	-	-	148,478
Other	9,955	12,497	-	1,411	1,737,782
Total receipts	<u>9,955</u>	<u>1,571,220</u>	<u>240,894</u>	<u>1,411</u>	<u>10,940,551</u>
Disbursements:					
General government	-	-	-	-	505,907
Public safety	-	-	-	-	824,804
Highways and streets	-	-	-	-	3,222,674
Health and welfare	-	-	-	-	1,244
Culture and recreation	-	-	-	-	1,586,480
Urban redevelopment and housing	-	1,581,027	-	-	4,847,799
Debt service:					
Principal	130,000	-	-	-	1,010,000
Interest	92,217	-	-	-	485,800
Total disbursements	<u>222,217</u>	<u>1,581,027</u>	<u>-</u>	<u>-</u>	<u>12,484,708</u>
Excess (deficiency) of receipts over disbursements	<u>(212,262)</u>	<u>(9,807)</u>	<u>240,894</u>	<u>1,411</u>	<u>(1,544,157)</u>
Other financing sources (uses):					
Transfers in	178,000	1,091	-	-	1,719,036
Transfers out	-	(408,535)	(240,894)	-	(2,061,132)
Total other financing sources (uses)	<u>178,000</u>	<u>(407,444)</u>	<u>(240,894)</u>	<u>-</u>	<u>(342,096)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(34,262)</u>	<u>(417,251)</u>	<u>-</u>	<u>1,411</u>	<u>(1,886,253)</u>
Cash and investment fund balance - beginning	<u>238,329</u>	<u>930,929</u>	<u>-</u>	<u>30,155</u>	<u>5,284,558</u>
Cash and investment fund balance - ending	<u>\$ 204,067</u>	<u>\$ 513,678</u>	<u>\$ -</u>	<u>\$ 31,566</u>	<u>\$ 3,398,305</u>
<u>Cash and Investment Assets - December 31</u>					
Cash with fiscal agent	\$ 204,067	\$ -	\$ -	\$ -	\$ 876,358
Restricted assets:					
Cash and investments	-	513,678	-	31,566	2,521,947
Total cash and investment assets - December 31	<u>\$ 204,067</u>	<u>\$ 513,678</u>	<u>\$ -</u>	<u>\$ 31,566</u>	<u>\$ 3,398,305</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ 31,566	\$ 461,895
Public safety	-	-	-	-	457,288
Highways and streets	-	-	-	-	443,834
Health and welfare	-	-	-	-	19,982
Culture and recreation	-	-	-	-	232,509
Urban redevelopment and housing	-	513,678	-	-	1,573,522
Debt service	204,067	-	-	-	209,275
Total cash and investment fund balance - December 31	<u>\$ 204,067</u>	<u>\$ 513,678</u>	<u>\$ -</u>	<u>\$ 31,566</u>	<u>\$ 3,398,305</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2006

	Firefighters Pension	Old Plan Pension Relief (Fire)	Police Pension	Old Plan Pension Relief (Police)	Total
Additions:					
Contributions:					
Employer	\$ 1,484,983	\$ -	\$ 1,705,110	\$ -	\$ 3,190,093
Plan members	40,302	-	42,266	-	82,568
State	1,843,400	-	1,811,346	-	3,654,746
Total contributions	3,368,685	-	3,558,722	-	6,927,407
Transfers in	224,082	-	65,336	-	289,418
Total additions	3,592,767	-	3,624,058	-	7,216,825
Deductions:					
Benefits	4,421,256	-	4,095,052	-	8,516,308
Administrative and general	7,278	-	9,210	-	16,488
Transfers out	1,276	224,082	1,054	65,336	291,748
Total deductions	4,429,810	224,082	4,105,316	65,336	8,824,544
Deficiency of total additions over total deductions	(837,043)	(224,082)	(481,258)	(65,336)	(1,607,719)
Cash and investment fund balance - beginning	837,043	664,001	709,400	941,581	3,152,025
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 439,919</u>	<u>\$ 228,142</u>	<u>\$ 876,245</u>	<u>\$ 1,544,306</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2006

	Beech Grove Cemetery Trust	Beech Grove Cemetery Grace Maring	Beech Grove Hardin Roads Trust	Redevelopment Commission Allocation	Total
Additions:					
Taxes	\$ -	\$ -	\$ -	\$ 1,181,431	\$ 1,181,431
Investment earnings:					
Interest	<u>1,438</u>	<u>2,287</u>	<u>1,237</u>	<u>17</u>	<u>4,979</u>
Total additions	<u>1,438</u>	<u>2,287</u>	<u>1,237</u>	<u>1,181,448</u>	<u>1,186,410</u>
Deductions:					
Administrative and general	-	-	-	1,500	1,500
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,179,931</u>	<u>1,179,931</u>
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,181,431</u>	<u>1,181,431</u>
Excess of total additions over total deductions	1,438	2,287	1,237	17	4,979
Cash and investment fund balance - beginning	<u>30,746</u>	<u>48,877</u>	<u>26,445</u>	<u>121</u>	<u>106,189</u>
Cash and investment fund balance - ending	<u>\$ 32,184</u>	<u>\$ 51,164</u>	<u>\$ 27,682</u>	<u>\$ 138</u>	<u>\$ 111,168</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	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	\$ 6,810	\$ 12,207	\$ 2,715	\$ 71,548	\$ -	\$ 194,343	\$ 1,144,739
Deductions:							
Agency fund deductions	4,772	11,073	2,660	71,548	-	4,000	1,181,431
Excess (deficiency) of total additions over total deductions	2,038	1,134	55	-	-	190,343	(36,692)
Cash and investment fund balance - beginning	110,983	37,982	60	-	3,300	454,083	609,711
Cash and investment fund balance - ending	<u>\$ 113,021</u>	<u>\$ 39,116</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ 3,300</u>	<u>\$ 644,426</u>	<u>\$ 573,019</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Redevelopment Tech Park	Insurance Trust	Payroll Withholdings	City Court	Park Damage Deposit Refund Account	Total
Additions:						
Agency fund additions	\$ 738,857	\$ 321,350	\$ 28,357,485	\$ 1,076,058	\$ 21,360	\$ 31,947,472
Deductions:						
Agency fund deductions	-	321,350	28,347,467	1,048,125	19,760	31,012,186
Excess (deficiency) of total additions over total deductions	738,857	-	10,018	27,933	1,600	935,286
Cash and investment fund balance - beginning	<u>26,952</u>	<u>-</u>	<u>400,468</u>	<u>79,116</u>	<u>905</u>	<u>1,723,560</u>
Cash and investment fund balance - ending	<u>\$ 765,809</u>	<u>\$ -</u>	<u>\$ 410,486</u>	<u>\$ 107,049</u>	<u>\$ 2,505</u>	<u>\$ 2,658,846</u>



CITY OF MUNCIE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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	\$ 1,949,765
Infrastructure	16,290,633
Buildings	26,599,248
Improvements other than buildings	4,258,828
Machinery and equipment	8,384,729
Construction in progress	<u>1,270,371</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 58,753,574</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sanitary District:	
Capital assets, not being depreciated:	
Land	\$ 255,670
Construction in progress	7,223,951
Buildings	21,479,297
Improvements other than buildings	24,727,640
Machinery and equipment	<u>12,583,128</u>
	<u>\$ 66,269,686</u>



City of MUNCIE
MUNCIE, INDIANA

CITY OF MUNCIE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

CAPITAL LEASES

The Unit type has entered into the following capital leases:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Two Dump Trucks	\$ 100,159	\$ 31,384
Street Sweeper	\$ 75,473	\$ 40,242
2005 Ford Expedition	\$ 22,604	\$ 7,585
2005 Chevrolet Tahoe	\$ 23,576	\$ 7,456
Total Capital Leases	221,812	88,668
Bonds Payable:		
General obligation bonds:		
MVH Bonds	410,000	135,000
Façade Restoration Bonds, Series 2002	1,255,000	140,000
Revenue Bonds:		
Series A TIF Bonds	1,967,599	147,570
Series B TIF Bonds	2,464,670	147,570
(purpose)	-	-
Total governmental activities long-term debt	<u>\$ 6,319,081</u>	<u>\$ 656,807</u>
Business-type Activities:		
Sanitary District		
Capital leases:	158,489	53,198
Loans Payable:	\$ 12,750,000	\$ 665,000
	-	-
Total Business-Type Activities	<u>12,908,489</u>	<u>718,198</u>
Total business-type activities long-term debt:	<u>\$ 12,908,489</u>	<u>\$ 718,198</u>

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS

DEPOSITS – BEECH GROVE CEMETERY

Our test of cemetery receipts disclosed instances where money collected at the Cemetery was not remitted to the City Controller's office in time for deposit by 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."

CONTRACTS – BEECH GROVE CEMETERY

The persons paid by the City during the year 2006 to open and close the gates at Beech Grove Cemetery were paid as contractors. However, written contracts were not available for audit.

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

Our review of compliance with Sanitary District paid leave policies disclosed the following instances 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 2006, the vacation leave accrual for the Administrator was 20 days. If the policy was followed and the January 30, 2000, date was used, the Administrator would have received 15 vacation days.

The paid leave accrual date used for the Sanitary District Financial Manager, April 27, 2000, was the date she started as a member of the Sanitary Board of Commissioners rather than the date she started the full-time position of Sanitary District Financial Manager, which was May 15, 2006. Per the Sanitary District Employee Policy, only full-time employees earn paid leave. In 2006, the vacation leave accrual for the Financial Manager was 15 days and the personal leave accrual was 12 days. If the policy was followed and the May 15, 2006, date was used, the Financial Manager would have received 5 vacation days and no personal leave days.

Memos signed by the Board and Sanitary Commissioners President and Secretary were presented for audit which indicated that the Board had approved these exceptions to the paid leave policy as a part of the hiring process. However, nothing was presented for audit that showed that the actions taken were approved at a public meeting and amended the existing personnel policy.

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)

PAYROLL PROCEDURES

A test of employee time cards from one payroll period disclosed that 10% of the time cards tested had not been signed by the Department Head or their designee indicating approval of the time card. The cards not signed were for Sanitary District Sewer Maintenance and Engineering Departments, and Human Rights Department employees. Employee agreements covering the employees 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.

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)

DEPOSITS – CITY ENGINEER AND BUILDING COMMISSIONER

As also reported in the prior Reports B25557 and B27632 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 – CITY ENGINEER AND BUILDING COMMISSIONER

As noted in prior Reports B25557 and B27632 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)

DEPOSITS – PRAIRIE CREEK PARK

As noted in the prior Reports B23897, B25557, and B27632 and during the current audit period, a test of Park Department (Prairie Creek) 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."

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS – CITY PARKS DEPARTMENT

Depository reconciliations of the City Park Department damage deposit bank account balance to a detail of damage deposits on hand were not presented for audit.

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."

STATE WASTEWATER REVOLVING LOAN PROGRAM
AGREEMENT – MUNCIE SANITARY DISTRICT

The financial assistance agreement between the Indiana Finance Authority and the Muncie Sanitary District states in Article III, Section 3.02: "The Participant hereby covenants and agrees with the Finance Authority that the Participant will: . . . (e) Establish and maintain the books and other financial records of the Project (including the establishment of a separate account or subaccount for the Project) and the Treatment Works in accordance with (1) generally accepted governmental accounting principles, as promulgated by the Government Accounting Standards Board and (2) the rules, regulations and guidance of the State Board of Accounts . . ."

Fund 612, SRFL - WWP, was established in the City records in 2006 to be used to record the receipt of loan proceeds and the expenditure of those proceeds; however, no transactions were posted after June 21, 2006, even though transactions totaling \$5,202,942 occurred between that date and December 31, 2006.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Our review of City and Sanitary District capital asset records disclosed the following:

The following completed Sanitary District construction had not been recorded:

1. Costs totaling \$129,500 for General Improvement sewer projects completed in 2005 had not been recorded.
2. Costs totaling \$12,086,000 for Wastewater Treatment Plant Improvement Phase I project completed in 2005 had not been recorded.

The following construction in progress had not been recorded:

1. City infrastructure projects with costs totaling \$1,270,371 at December 31, 2006, had not been recorded.
2. Sanitary District Wastewater Treatment Plant Improvement Phase II project with costs totaling \$7,223,951 at December 31, 2006, had not been recorded.

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 form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE – CITY CONTROLLER

As noted in prior Reports B25557 and B27632, and during the current audit period, receipts are not always 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 DEPOSITS – CITY CONTROLLER

As noted in prior Reports B23897, B25557, and B27632, and during the current audit period, receipts issued by the City Controller's office did not note the type of payment if the payment received was a combination of cash and checks. The computer generated receipt form only allows for noting a single type of payment, cash or check. When a combination of cash and checks was received, the word "memo" was entered under type of payment. However, no additional memo was attached which stated the dollar amount of cash and the dollar amount of checks received. The dollar amount of cash and the dollar amount of checks included on a receipt must be stated in order to determine if the funds are being deposited in the same form in which they were received.

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."

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)

BUDGETED LINE ITEMS

Our review of payments made to various vendors disclosed that the payments made were not always posted to the correct budget line item. Disbursements for plaques were charged to Printing and Advertising (Human Rights Department) and Other Services and Charges (Fire Department). Flowers, plants and wreaths were charged to Other Services and Charges (Mayor, Fire, Beech Grove Cemetery, Board of Works). Artwork was charged to Other Services and Charges (Mayor). A donation was charged to Printing and Advertising (Human Rights). Candy and jewelry were charged to Other Supplies (Sanitation Engineering). Supplies for "Hometown Gathering" were charged to Other Services and Charges (Board of Works). Meals were charged to Other Services and Charges (Police Department, Fire Department, Sanitation Department, Sanitation Engineering Department). Meals were charged to Repair and Maintenance (Sanitation Department). Supplies were charged to Other Services and Charges (Police Department, Fire Department, Sanitation Administrative Office, Sanitation Engineering). Digital cameras, rockers, etc., were charged to Maintenance (Fire Department).

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

EXPENSE ITEMIZATION

Records presented for audit included claims for reimbursement and credit card disbursements for meals of the City and Sanitary District. Detailed food purchases were not always documented (Board of Works, Police Department, Sanitation Engineering). Specific detailed information such as individuals for who amounts are claimed and the nature and purpose of the meeting were not noted (Fire Department, Community Development, Sanitation Department, Sanitation Engineering, Water Pollution Control Department). Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES – PRAIRIE CREEK PARK

Achilles support and ankle braces were purchased with the credit card for Prairie Creek Park in the amount of \$289.

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)

COLLECTION OF AMOUNTS DUE – FIREFIGHTERS' PENSION FUND

A firefighter who had converted to the benefits of the State 1977 Firefighters' Pension Fund and became eligible to receive retirement benefits from the State in October, 2005, was also paid benefits by the City of Muncie in error. The gross amount of the payments made by the City to the retiree was \$16,310. The pensioner also receives post employment insurance benefits from the City. Requirements for receiving those benefits are that the pensioner pay a portion of the insurance premium and also pay dues to the Muncie Firefighters' Union. The pensioner was delinquent in payment of both the insurance premiums and union dues but had continued to receive insurance benefits.

The City, through their attorney, has requested that the pensioner repay the overpayment and pay the delinquent insurance premiums.

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)

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)

RECEIPT OF SEIZED/CONFISCATED PROPERTY

As noted in prior Reports B14766, B16971, B19302, B21583, B23897, B25557, B27632 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 were receipted to the M.P.D. Drug Interdiction Fund and the M.P.D. 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 deposited some confiscated monies into a checking account. The record balance had not been reconciled to the bank balance. There was no separate trust record detailing whose funds comprise the record balance. Instead of creating a separate record of open trust items, the bookkeeper attempts to track open trust items using his ledger. A review of trust on hand as of May 10, 2007, revealed that the trust detail exceeded the control amount by \$3,567.59

Disbursements from the M.P.D. Drug Interdiction Fund included payments for the following: shirts, sponsoring the Muncie Pirates Baseball Team and other donations, utility payments, supplies, expenses for the city gym, a metal detector, and prosecutor payments.

Disbursements from the M.P.D. Drug Task Force Forfeiture Fund included payments for the following: utility payments, auto repair, Yorktown Football Youth Drug Awareness program, computers, supplies, expenses for the city gym, swat gear, major repair to a seized vehicle, weapons and prosecutor payments.

The payments claimed from these funds by the full-time Prosecutor and Deputy Prosecutor represented 25% of seized property, which included cash and property sold at auction. There was no written contract to support the payments made.

Disbursements from the checking account were for such things as a golf cart and pistol for the Sheriff's Department, attorney fees, swat gear, a trailer, supplies, ammunition, and rubber gym flooring.

Indiana Code 34-24-1-4(d) states in part: "If the court enters judgment 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 Indiana Code 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; . . . (D) any excess in value of the proceeds or the money over the law enforcement costs be forfeited and transferred to the treasurer of state for deposit in the common school fund."

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."

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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)

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)

OVERDRAWN CASH BALANCE – SANITATION FUND

The cash balance of the Sanitation Fund (Fund 275) was overdrawn as of May 10, 2007, in the amount of \$1,470,971. At December 31, 2006, the fund had a positive balance of \$1,471,422.

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)

PENALTIES, INTEREST AND OTHER CHARGES

A review of three months of credit card disbursements revealed payments of penalties and other charges. Penalties and interest totaling \$49 (Police Department, Fire Department, Water Quality Department), over limit fees totaling \$140 (Police Department, Fire Department, Water Quality Department) and other fees totaling \$15 (Police Department) were paid to the credit card company during the three months tested.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

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

SALES TAX

A review of three months of credit card disbursements revealed sales tax of \$272 (Police Department) paid on purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The following expenditures in excess of approved budgeted appropriations were caused by improper budget adjustments:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Local Road and Street	2006	\$ 25,000
Motor Vehicle Highway	2006	77,682
Sanitation Operating	2006	64,091

Improper budget adjustments included adding reimbursements and Major Moves highway distributions to the budget without formally requesting approval for additional appropriations.

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

PETTY CASH DISBURSEMENTS

Our review of several petty cash reimbursement claims disclosed the following purchases which were not for operating expense: (1) Food purchases (Police Department, Mayor, Sewage Office, Engineering Department, Sanitation Department, Water Quality Department); (2) Sales tax (Police Department, Sanitation Department, Engineering Department); (3) Sodas from a vending machine (Water Quality); (4) \$360 for a storage unit (Police Department); (5) Tips for a meal (Controller); (6) Birthday card (Mayor); (7) Cake (Mayor).

Indiana Code 36-1-8-3(b) states: "The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund."

EXCESSIVE OR UNREASONABLE COSTS – SANITARY DISTRICT NEWSLETTER

The Muncie Sanitary District pays to have a professionally produced internal newsletter. For the year 2006 the cost of the newsletter was \$17,420.

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 ISSUANCE – OFF STREET PARKING

Our review of Off Street Parking records found that records presented for audit were not adequate to determine if parking lot receipts were properly accounted for. The following problems were noted:

1. Receipt forms used to issue receipts to customers were not a prescribed or approved form.
2. Receipt forms were not always issued to customers.
3. No receipt forms dated after July 1, 2006, were available for audit.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

4. The receipt book presented for audit was not complete. Duplicates of receipt forms used prior to February 2, 2006, were torn out of the receipt book.

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)

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies received or disbursed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROVAL OF FORMS – CITY CLERK

The Muncie City Clerk's office was using a receipt form which had not been approved for use in lieu of the prescribed form.

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)

LEAVE AND OVERTIME POLICY

A written policy concerning the accrual, record keeping and use of compensatory time was not presented for audit. Our inquiry disclosed that the type of record maintained for compensatory time accruals varied between all City and Sanitary District departments and in some cases employees were allowed to keep their own record. In one of those cases the employee was given credit in 2006 for compensatory time accumulated from as far back as 2004.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EXPENSES NOT RELATED TO THE FUNCTION OR PURPOSE OF THE GOVERNMENTAL UNIT – SANITARY DISTRICT

The Sanitary District administers a reuse center. Expenses incurred include shipping for recyclable items, rental space and utilities. The items shipped to the reuse center are then made available to educators and non-profit organizations free of charge. Reuse center expenses incurred for years 2004, 2005, and 2006 totaled \$67,506. A grant received from the East Central Indiana Solid Waste District for operation of the reuse center totaled \$39,506. This resulted in the remaining \$28,000 of expenses for the operation of the Reuse center for years 2004, 2005, and 2006 being an obligation of the Sanitary District.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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)

PERSONAL USE OF CITY PROPERTY

During our test observation of capital assets it was noted that personal vehicles were being stored on City property.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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, 2006. 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 2006-2 and 2006-3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding subrecipient monitoring, activities allowed or unallowed and eligibility that are applicable to its 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-4.

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 2006-2 and 2006-4.

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 item 2006-2 to be a material weakness.

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 9, 2007

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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 AGRICULTURE</u>			
Pass-Through Indiana Department of Natural Resources Cooperative Forestry Assistance	10.664	2006	\$ <u>3,120</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
Community Development Grants/Entitlement Grants	14.218		
		B-01-MC-18-0010	473
		B-02-MC-18-0010	1,091
		B-03-MC-18-0010	10,665
		B-04-MC-18-0010	63,953
		B-05-MC-18-0010	602,659
		B-06-MC-18-0010	<u>576,018</u>
Total for program			<u>1,254,859</u>
Direct Grant			
Home Investment Partnerships Program	14.239		
		M-01-MC-18-0206	1,970
		M-02-MC-18-0206	822
		M-03-MC-18-0206	2,711
		M-04-MC-18-0206	28,397
		M-05-MC-18-0206	175,015
		M-06-MC-18-0206	<u>60,649</u>
Total for program			<u>269,564</u>
Total for federal grantor agency			<u>1,524,423</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources Historic Preservation Fund Grants-In-Aid	15.904	2006	<u>11,060</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grant Program	16.592	2004-LB-BX-1292	<u>7,746</u>
Direct Grant			
Bulletproof Vest Partnership Program	16.607	2006	<u>6,024</u>
Pass-Through Indiana Criminal Justice Institute			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2005-DN-BX-K036	<u>26,418</u>
Crime Victim Assistance	16.575		
		05VA025	38,078
		05VA026	7,721
		06VA024	60,030
		06VA025	<u>22,075</u>
Total for program			<u>127,904</u>
Edward Byrne Memorial Formula Grant Program	16.579		
		04-DB-034	21,409
		04-DB-052	115,000
		05-DJ-076	<u>29,145</u>
Total for program			<u>165,554</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, 2006
(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 JUSTICE (continued)</u>			
Pass-Through Indiana Criminal Justice Institute (continued) Violence Against Women Formula Grants	16.588		
		04ST013	16,777
		06ST014	1,943
Total for program			<u>18,720</u>
Public Safety Partnership and Community Policing Grants	16.710		
		2005CKWX0177	<u>33,015</u>
Total for federal grantor agency			<u>385,381</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205		
		DEM-IN 40(1)	3,960
		DEM-IN 40(001)	70,802
		STP-M480(003)	<u>45,149</u>
Total for program			<u>119,911</u>
Recreational Trails Program	20.219		
		STP-BIKE(1)	<u>6,312</u>
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety	20.600		
		PT-06-04-07-07	<u>45,385</u>
Alcohol Traffic Safety and Drunk Driving Preventive Incentive Grants	20.601		
		PT-07-04-01-03	7,910
		K8-07-03-01-02	<u>9,730</u>
Total for cluster			<u>17,640</u>
Traffic Safety Grant - DUI	20.XXX		
		154AL-06-03-03-03	<u>37,990</u>
Incentive Traffic Safety Grant	20.XXX		
		157-PT-2006-04-06-09	<u>24,885</u>
Total for federal grantor agency			<u>252,123</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458		
		WW06121802	<u>3,659,760</u>
Pass-Through Ball State University Nonpoint Source Implementation Grants	66.460		
		2006-2007	<u>7,047</u>
Total for federal grantor agency			<u>3,666,807</u>
Total federal awards expended			<u>\$ 5,842,914</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, 2006:

Program Title	Federal CFDA Number	Amount
Community Development Grants/Entitlement Grants	14.218	\$ 417,370
Home Investment Partnerships Program	14.239	226,167
Crime Victim Assistance	16.575	98,109
Edward Byrne Memorial Formula Grant Program	16.579	49,725
Traffic Safety Grant - DUI	20.XXX	25,565

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?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

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:
Unqualified -14.218 and 66.458
Qualified – 14.239

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

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2006-1, RECEIPT ISSUANCE

Receipts are not always issued at the time of collection. Persons remitting collections (cash and checks) to the City Controller's Office often drop off the collections at the counter where receipts are written and then leave before a receipt is written and the collections are placed in the cash box. This occurs when the Controller's Office employee at the counter is busy with another task and completes that task before writing a receipt for the collections. Failure to write and issue a receipt while the person remitting the collections is present breaks the chain of control of the cash and checks and gives the opportunity for misappropriation of the funds.

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

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-2, 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 any subrecipients.

There were no written agreements to support subrecipient payments disbursed of \$56,895 to the Muncie Homeownership for down payment and gap financing. Gap financing is the difference between the amount the bank will finance and the purchase price (less down payment) of the property.

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."

The City has experienced both turnover and serious illness of several key staff for the past few years. This factor has severely curtailed the City's capacity to keep up with HUD compliance requirements. The condition also occurred because the City does not have a proper control system for monitoring subrecipients.

Subrecipients are operating with federal funds without the oversight of the City of Muncie.

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

FINDING 2006-3, UNALLOWABLE ACTIVITIES AND COSTS

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 November 2, 2006, noted the following unallowable activities and costs:

1. The City funded East Central Reinvestment Corporation (ECRC) in the amount of \$4,298 to acquire two lots for infill new housing construction. The construction never occurred.

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

2. The City funded ECRC in the amount of \$12,883 for IDIS Activity Number 1812. The project did not result in an affordable housing unit. This activity has been determined to be terminated, and thus ineligible for funding.
3. The City funded a recipient in the amount of \$25,858. This project included two properties. The initial draw on the project was September 15, 1999, and the last draw was on December 29, 2003. Construction on one property has not been completed resulting in questioned costs in the amount of \$12,350.

A letter received from the Department of Housing and Urban Development requesting a response for the federal findings noted in the 2005 audit report noted the following additional unallowable activities and costs:

4. 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 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. To date, the Muncie Housing Authority has reimbursed the City \$1,001,789 although the IDIS activity shows an amount of \$1,216,346.75 drawn down. According to the Department of Housing and Urban Development, these disbursements were for ineligible costs and they are requesting that \$1,216,346.75 be reimbursed to the City's U.S. Treasury HOME Investment Trust Fund account. In May 2007, the City repaid \$962,351.66 leaving a balance of \$253,995.

HOME Regulations 24 CFR 92.205(a) (2) states: "Acquisition of vacant land or demolition must be undertaken only with respect to a particular housing project intended to provide affordable housing."

HOME Regulations 24 CFR 92.205(e) states in part: "Terminated projects. A HOME assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and any HOME funds invested in the project must be repaid to the participating jurisdiction's HOME Investment Trust Fund in accordance with 92.503(b) . . ."

The City has been asked to reimburse its HOME Investment Trust Fund in the amount of \$283,526 for the remaining unallowable costs.

Key employees did not adhere to HUD compliance requirements regarding allowable costs of the grant. The City has experienced both turnover and serious illness of several key staff for the past few years. This factor has severely curtailed the City's capacity to keep up with HUD compliance requirements. The City's internal control systems were not adequate to determine eligible project costs and program progress.

Lack of knowledge regarding program cost and program progress resulted in questioned costs, of which HUD has asked for reimbursement.

We recommended the unit implement controls in order to have the capacity to determine eligible project costs and program progress in accordance with HOME Regulations.

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

FINDING 2006-4, 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 2006.

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."

If actual source documentation does not exist, there is a possibility of ineligible individuals residing in HOME assisted housing.

The City has experienced both turnover and serious illness of several key staff for the past few years. This factor has severely curtailed the City's capacity to keep up with HUD compliance requirements. The condition also occurred because the City does not have a proper control system for monitoring subrecipients.

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



MAYOR'S OFFICE
CITY OF MUNCIE, INDIANA

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

May 14, 2007

STATE BOARD OF ACCOUNTS

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

Finding 2005-1, SUBRECIPIENTS

Fiscal Year:	2005
Auditee Contact Person:	Ron Anderson
Title of Contact Person:	Director Community Development
Phone Number:	765-747-4825
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) 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.

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 24CFR 85.36; or (ii) Through loans or grants under agreements with subrecipients, as defined at 570.500 (c) . . ."

The Community Development Department has monitored all subrecipients for FY 2005 which ended May 31, 2006. The files are signed, documented and complete.

Finding 2005-2, RESIDENTIAL REHABILITATION PROJECTS

Fiscal Year:	2005
Auditee Contact Person:	Ron Anderson

Title of Contact Person: Director
Community Development

Phone Number: 765-747-4825

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 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."

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

Fiscal Year: 2005

Auditee Contact Person: Ron Anderson

Title of Contact Person: Director
Community Development

Phone Number: 765-747-4825

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)."

The Community Development Department file is complete.

Finding 2005-4, SUBRECIPIENTS

Fiscal Year: 2005

Auditee Contact Person: Ron Anderson

Title of Contact Person: Director
Community Development

Phone Number: 765-747-4825

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

There were no records indicating the 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. **

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 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. ***

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 the 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 contactor and subrecipient must be reviewed at least annually. Before disbursing any HOME funds to an 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 contactor 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."

* A schedule for regular monitoring of program compliance has been implemented. The requirement for written agreements honored in future agreements.

**Reimbursement was received on April 24, 2006.

***In May, 2006, the City had received \$418,587.00.

In March, 2007, the City had received \$583,201.35.

Finding 2005-5, ELIGIBILITY OF INDIVIDUALS

Fiscal Year:	2005
Auditee Contact Person:	Ron Anderson
Title of Contact Person:	Director Community Development
Phone Number:	765-747-4825
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." 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, that 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.”

* A schedule for regular monitoring of program compliance has been implemented. Once a project has been completed and the period of affordability has been established monitoring will be begin one year from the date of completion and yearly thereafter. Source documentation to verify income eligibility will be included in accordance with HOME regulations.

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

Fiscal Year:	2005
Auditee Contact Person:	Ron Anderson
Title of Contact Person:	Director Community Development
Phone Number:	765-747-4825

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number 14.239

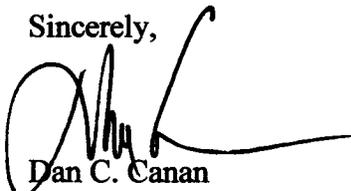
Program disbursement and information system information was not reported in Integrated Disbursement and Information System (IDIS) in an accurate and timely manner resulting in inaccurate reporting. There are several CDBG activities listed as "underway" in IDIS. Since these activities have not been reported 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."

City has hired a consultant to work with staff on IDIS issues. In-house training was held on February 23 & 24, 2006. IDIS reporting is being provided in a timely manner. Activities listed as "underway" are currently being addressed and updated according to HOME regulations.

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

Sincerely,



Dan C. Canan
Mayor
City of Muncie



MAYOR'S OFFICE
CITY OF MUNCIE, INDIANA

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

July 9, 2007

STATE BOARD OF ACCOUNTS

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RESPONSE

Section II – Financial Statement Findings

Finding 2006-1, RECEIPT ISSUANCE

Auditee Contact Person: Mary Ann Kratochvil
Title of Contact Person: City of Muncie Controller
Phone Number: 765-747-4828

In the 12 years I have overseen the City of Muncie, the Controller's office has never experienced a problem with the posting process regarding receipts for remitted collections (cash and checks). In every instance the receipts have balanced against the collections. As a CPA, Ms. Kratochvil realizes not issuing an immediate receipt when remitted collections are presented allows for a weakness in internal control, however, due to the limited number of personnel available in the office upon any given circumstance the ideal is not always possible.

The Controller's office has requested the various department's depositing personnel not to leave the office until personnel have had the opportunity to balance the remitted collections against the presented deposit form, and thusly to wait for a printed receipt so that the receipts may be issued and recorded at the time of the transaction.

Should you have further questions, please don't hesitate to contact Mary Ann Kratochvil at phone number 765-747-4828 or via postal mail at 300 N. High Street, Muncie, IN 47305.

Sincerely,

Dan C. Canan
Mayor
City of Muncie



MAYOR'S OFFICE
CITY OF MUNCIE, INDIANA

Dan C. Canan, Mayor

July 5, 2007

STATE BOARD OF ACCOUNTS

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RESPONSE

Section III – Federal Award Findings and Questioned Costs

Finding 2006-2, SUBRECIPIENTS

Auditee Contact Person:	Ron Anderson
Title of Contact Person:	Director Community Development
Phone Number:	765-747-4825

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

A schedule for regular monitoring of program compliance has been implemented and monitoring is underway. Once a project has been completed and the period of

affordability has been established monitoring will be begin one year from the date of completion and yearly thereafter.

The requirement for written agreements will be honored in future agreements in accordance with HOME regulations.

Finding 2006-3, UNALLOWABLE ACTIVITIES AND COSTS

Auditee Contact Person: Ron Anderson
Title of Contact Person: Director
Community Development
Phone Number: 765-747-4825

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

Negotiations are underway with HUD CPD Representative John Dorgan on the repayment of funds expended on activity #1812 for \$12,883 and activity #1770 for \$4,298. The questioned costs of \$12,350 are also being negotiated with the Department of Housing and Urban Development. The Muncie Office of Community Development with the assistance of John Dorgan and Karen Bishop field representatives of the Indianapolis Office of Housing and Urban Development are currently working to reconcile the monies drawn against project #1955 to determine the final reimbursement of funds required by the City of Muncie.

All future projects are will be carefully regulated to insure compliance with HUD requirements and HOME regulations.

Finding 2006-4 ELIGIBILITY OF INDIVIDUALS

Auditee Contact Person: Ron Anderson
Title of Contact Person: Director
Community Development
Phone Number: 765-747-4825

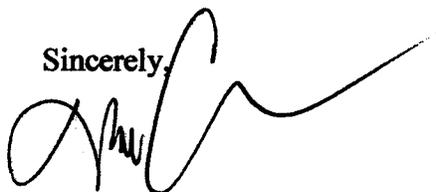
Federal Agency: Department of Housing and Urban Development
Federal Program: HOME Investment Partnerships Program
CFDA Number 14.239

A schedule for regular monitoring of program compliance has been implemented and monitoring is underway.

The requirement for written agreements will be honored in future agreements in accordance with HOME regulations.

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

Sincerely,



Dan C. Canan
Mayor
City of Muncie

CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2007, with Mary Ann Kratochvil, Controller; Daniel C. Canan, Mayor; Elizabeth DeVoe, President of the Board of Public Works and Safety; Phyllis J. Amburn, Deputy Mayor; Sam Marshal, City Council Member; and Jonna S. Reece, Muncie Sanitary District Financial Manager.