B31744

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

ANNUAL FINANCIAL REPORT

2007

MUNCIE COMMUNITY SCHOOLS

DELAWARE COUNTY, INDIANA

FILED

03/31/2008

TABLE OF CONTENTS

Description	Page
Schedule of Officials	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	4-5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Basis – Governmental Funds	9
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investments Basis – Proprietary Fund	10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11
Notes to Financial Statements	12-22
Required Supplementary Information:	
Schedule of Funding Progress	23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	24-37
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	38
Schedule of Capital Assets	39
Schedule of Long-Term Debt	40

TABLE OF CONTENTS
(Continued)

Description	Page
Audit Results and Comments:	
Receipt Issuance - Administration Office	41
Commuting Mileage	41
Prescribed Forms – Mileage Form 101	41
Capital Asset Records	41-42
Rainy Day Fund	42
Credit Card and Travel Disbursements	42-45
Travel Policy	45-46
Compensation and Benefits	46
Overdrawn Cash Balances	46
Prescribed Forms – Ticket Sales Reports	47
Errors on Claims	47
Deposits Not Timely	47
Deposits	48
Prescribed Forms Form SA-7	48
Receipt Issuance	48
Prescribed Forms – Investment Form 350	48
Condition of Records	48-49
Supplemental Audit of Federal Awards:	
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	52-53
Schedule of Expenditures of Federal Awards	54-55
Notes to Schedule of Expenditures of Federal Awards	56
Schedule of Findings and Questioned Costs	57-59
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	60
Corrective Action Plan	61-62
Exit Conference	63
Official Response	64-65

SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Mark A. Burkhart	07-01-06 to 06-30-08
Superintendent of Schools	Dr. Marlin B. Creasy	07-01-06 to 06-30-08
President of the School Board	Robert E. Kellems	07-01-06 to 06-30-07
	Julius Anderson	07-01-07 to 06-30-08

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muncie Community Schools (School Corporation), as of and for the year ended June 30, 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation'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 School Corporation 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, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007, 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 February 19, 2008, on our consideration of the School Corporation'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 School Corporation 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 Schedule of Funding Progress as listed in the Table of Contents is not a required part of the basic financial statements but is 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 School Corporation 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 School Corporation'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 required parts 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

February 19, 2008

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muncie Community Schools (School Corporation), as of and for the year ended June 30, 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's responses to the findings identified in our audit are described in the accompanying sections of the report entitled Corrective Action Plan and Official Response. We did not audit the School Corporation's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, school board, 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

February 19, 2008

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 34,444,447	$ -	$ 294,711	$ (34,149,736)
Support services	66,581,038	854,025	2,166,948	(63,560,065)
Community services	777,614	-	-	(777,614)
Nonprogrammed charges	11,624,205	-	-	(11,624,205)
Debt service	14,929,039	-	-	(14,929,039)
Total governmental activities	$ 128,356,343	$ 854,025	$ 2,461,659	(125,040,659)
General receipts:				
Property taxes				16,704,663
Other local sources				11,890,109
State aid				37,390,502
Bonds and loans				8,000,000
Grants and contributions not restricted to specific programs				13,072,565
Sale of property, adjustments, and refunds				5,798,130
Investment earnings				2,227,627
Total general receipts				95,083,596
Change in net assets				(29,957,063)
Net assets - beginning				55,042,501
Net assets - ending				$ 25,085,438

Assets	
Cash and investments	$ 22,128,428
Restricted assets:	
Cash and investments	2,957,010
Total assets	$ 25,085,438

Net Assets	
Restricted for:	
Debt service	$ (1,140,589)
Other purposes	4,097,599
Unrestricted	22,128,428
Total net assets	$ 25,085,438

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

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	$ 10,471,753	$ 1,909,869	$ -	$ 2,611,933	$ 3,653,556	$ 3,643	$ 1,144,828	$ 11,746,233	$ 31,541,815
Intermediate sources	144	-	-	-	-	-	-	4,781	4,925
State sources	37,559,638	-	-	-	-	-	-	1,460,051	39,019,689
Federal sources	-	-	-	-	-	-	-	13,905,041	13,905,041
Bonds and loans	8,000,000	-	-	-	-	-	-	-	8,000,000
Sale of property, adjustments and refunds	3,082,877	-	-	-	3,773	-	23,576	-	3,110,226
Total receipts	59,114,412	1,909,869	-	2,611,933	3,657,329	3,643	1,168,404	27,116,106	95,581,696
Disbursements:									
Current:									
Instruction	22,756,326	-	-	-	-	-	-	11,688,121	34,444,447
Support services	25,007,381	2,830,808	-	-	6,357,932	-	17,483,002	12,566,437	64,245,560
Community services	237,329	-	-	-	-	-	-	540,285	777,614
Nonprogrammed charges	7,593,540	-	-	-	-	-	-	4,030,665	11,624,205
Debt services	9,000,000	-	-	5,550,021	-	-	-	379,018	14,929,039
Total disbursements	64,594,576	2,830,808	-	5,550,021	6,357,932	-	17,483,002	29,204,526	126,020,865
Excess (deficiency) of receipts over disbursements	(5,480,164)	(920,939)	-	(2,938,088)	(2,700,603)	3,643	(16,314,598)	(2,088,420)	(30,439,169)
Other financing sources (uses):									
Transfers in	48,288	453	3,000,000	619	806	-	-	347,713	3,397,879
Transfers out	(223,989)	(3,000,000)	-	-	-	-	-	(173,890)	(3,397,879)
Total other financing sources (uses)	(175,701)	(2,999,547)	3,000,000	619	806	-	-	173,823	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,655,865)	(3,920,486)	3,000,000	(2,937,469)	(2,699,797)	3,643	(16,314,598)	(1,914,597)	(30,439,169)
Cash and investments - beginning	17,825,284	2,865,213	-	1,767,567	947,834	254,698	29,220,000	(1,453,588)	51,427,008
Cash and investments - ending	$ 12,169,419	$ (1,055,273)	$ 3,000,000	$ (1,169,902)	$ (1,751,963)	$ 258,341	$ 12,905,402	$ (3,368,185)	20,987,839
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because: Internal service 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.									4,097,599
Net assets of governmental activities									$ 25,085,438
Cash and Investment Assets - Ending									
Cash and investments	$ 12,169,419	$ (1,055,273)	$ 3,000,000	$ -	$ (1,751,963)	$ 258,341	$ 12,905,402	$ (3,397,498)	$ 22,128,428
Restricted assets:									
Cash and investments	-	-	-	(1,169,902)	-	-	-	29,313	(1,140,589)
Total cash and investment assets - ending	$ 12,169,419	$ (1,055,273)	$ 3,000,000	$ (1,169,902)	$ (1,751,963)	$ 258,341	$ 12,905,402	$ (3,368,185)	$ 20,987,839
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	$ -	$ -	$ -	$ (1,169,902)	$ -	$ -	$ -	$ 29,313	$ (1,140,589)
Unrestricted	12,169,419	(1,055,273)	3,000,000	-	(1,751,963)	258,341	12,905,402	(3,397,498)	22,128,428
Total cash and investment fund balance - ending	$ 12,169,419	$ (1,055,273)	$ 3,000,000	$ (1,169,902)	$ (1,751,963)	$ 258,341	$ 12,905,402	$ (3,368,185)	$ 20,987,839

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

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	Internal Service Fund
Operating receipts:	
Charges for services	$ 13,667,400
Miscellaneous	334,609
Total operating receipts	14,002,009
Operating disbursements:	
Insurance claims and expense	13,519,903
Change in net assets	482,106
Cash and investment fund balance - beginning	3,615,493
Cash and investment fund balance - ending	$ 4,097,599
Cash and Investment Assets - Ending	
Restricted assets:	
Cash and investments	$ 4,097,599
Cash and Investment Fund Balance - Ending	
Restricted for:	
Other purposes	$ 4,097,599

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

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	$ -	$ 18,802	
Investment earnings:			
Interest	329,704	-	
Total additions	329,704	18,802	
Deductions:			
Benefits	2,605	-	
Administrative and general	-	3,300	
Total deductions	2,605	3,300	
Excess of total additions over total deductions	327,099	15,502	
Cash and investment fund balance - beginning	5,972,901	18,013	
Cash and investment fund balance - ending	$ 6,300,000	$ 33,515	
Net assets:			
Cash and investments	$ 6,300,000	$ 33,515	$ 397,117
Total net assets - cash and investment basis held in trust	$ 6,300,000	$ 33,515	$ 397,117

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

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

Primary Government: Muncie Community Schools

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

Joint Venture

The School Corporation is a participant with several area schools in a joint venture to operate the Delaware/Blackford Special Education Cooperative which was created to provide special education services. The Cooperative's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Delaware/Blackford Special Education Cooperative. Complete financial statements for the Delaware-Blackford Special Education Cooperative can be obtained from the School Corporation.

The School Corporation is a participant with several area schools in a joint venture to operate the State District 22 Vocational Education Cooperative which was created to provide vocation education services. The Cooperative's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Cooperative. Complete financial statements for the Cooperative can be obtained from the School Corporation.

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. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The rainy day fund accounts for resources to be held for future use. It is funded solely by cash transfers from other governmental funds.

The construction fund is used to account for the construction of various buildings.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for receipts and disbursements for employee health insurance benefits.

The pension trust funds account for the activities of the retirement/severance bond fund which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students.

Agency funds account for assets held by the School Corporation as an agent for withholding authorities.

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 School Corporation 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). There is one internal service fund for self-insurance. This fund is supported by employee contributions through payroll deductions and school corporation contributions. The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

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. Property Taxes

   Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

   a. Sick Leave

      Employees earn sick leave at the rate of 7 to 10 days per year based on position. Unused sick leave may be accumulated to a maximum of 100 to 187 days. Accumulated sick leave is paid to employees through cash payments upon severance of employment.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave is converted to sick leave.

4. 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.

4. 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.

5. 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 School Corporation'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.

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 and (2) operating grants and contributions. 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 reported as reimbursements.

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.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 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 School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

At June 30, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
Transportation Operating	$ 1,055,273
Debt Service	1,169,902
Capital Projects	1,751,963
Textbook Rental	231,296
2006-2007 Delaware-Blackford Special Education	4,194,053
2006-2007 Vocational Co-Op	860,866
2006-2007 Opportunity School	544,701
2006-2007 Title I	313,368
2006-2007 IDEA - Pass-Through	816,250
2006-2007 Title IIA CSR	220,752

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. 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. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were as follows:

Transfer From	Transfer To	2007
General Fund	Other governmental funds	$ 48,288
Rainy Day Fund	Transporation Operating Fund	3,000,000
Capital Projects Fund	Other governmental funds	806
Transporation Operating Fund	Other governmental funds	453
Other governmental funds	General Fund	223,989
	Other governmental funds	123,724
Debt Service	Other governmental funds	619
Total		$ 3,397,879

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees 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.

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits. The risk financing fund is accounted for in the Self-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 $100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using actual claims experience. Provisions are also made for unexpected and unusual claims.

B. Holding Corporations

The School Corporation has entered into capital leases with Muncie School 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 School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled $5,269,521.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 136 retirees meet these eligibility requirements. The School Corporation and retirees provide 98% and 2%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of $1,249,188 were recognized for postemployment benefits.

In addition to the pension benefits described below, the School Corporation provides postemployment cash incentive early retirement benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 62 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of $155,236 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation 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 School Corporation 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 School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 638,738
Interest on net pension obligation	(82,275)
Adjustment to annual required contribution	93,758
Annual pension cost	650,221
Contributions made	593,978
Increase in net pension obligation	56,243
Net pension obligation, beginning of year	(1,134,821)
Net pension obligation, end of year	$ (1,078,578)

	PERF
Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	$ 487,291	146%	$ (989,637)
	06-30-05	503,588	129%	(1,134,821)
	06-30-06	650,221	91%	(1,078,578)

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to

contribute to the plan. The TRF 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 School Corporation may elect to make the contributions on behalf of the member.

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were $1,303,810, $1,252,444, and $1,214,872, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

MUNCIE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE 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	$ 11,472,405	$ 11,898,381	$ (425,976)	96%	$ 9,258,869	(5%)
07-01-05	11,994,176	13,799,993	(1,805,817)	87%	9,648,284	(19%)
07-01-06	12,261,465	13,657,066	(1,395,601)	90%	9,324,297	(15%)

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007

	Special Education Preschool	Cafeteria	Textbook Rental	Levy Excess	2004-2005 Delaware-Blackford Special Education	2005-2006 Delaware-Blackford Special Education	2006-2007 Delaware-Blackford Special Education
Receipts:							
Local sources	$ 253,406	$ 854,024	$ 278,032	$ -	$ -	$ 7,067,285	$ 46,439
Intermediate sources	-	-	-	-	-	-	-
State sources	365,474	21,039	231,288	-	-	-	-
Federal sources	-	1,892,632	-	-	-	-	-
Total receipts	618,880	2,767,695	509,320	-	-	7,067,285	46,439
Disbursements:							
Current:							
Instruction	480,710	-	664,321	-	-	471,387	2,965,921
Support services	227,913	3,500,116	-	-	1,172,828	1,800,828	1,274,571
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	708,623	3,500,116	664,321	-	1,172,828	2,272,215	4,240,492
Excess (deficiency) of receipts over disbursements	(89,743)	(732,421)	(155,001)	-	(1,172,828)	4,795,070	(4,194,053)
Other financing sources (uses):							
Transfers in	6	-	223,989	-	-	-	-
Transfers out	(45,909)	-	-	(4,370)	-	-	-
Total other financing sources (uses)	(45,903)	-	223,989	(4,370)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(135,646)	(732,421)	68,988	(4,370)	(1,172,828)	4,795,070	(4,194,053)
Cash and investments - beginning	288,803	1,381,028	(300,284)	4,370	1,172,828	(4,788,975)	-
Cash and investments - ending	$ 153,157	$ 648,607	$ (231,296)	$ -	$ -	$ 6,095	$ (4,194,053)
Cash and Investment Assets - Ending							
Cash and investments	$ 153,157	$ 648,607	$ (231,296)	$ -	$ -	$ 6,095	$ (4,194,053)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 153,157	$ 648,607	$ (231,296)	$ -	$ -	$ 6,095	$ (4,194,053)
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	153,157	648,607	(231,296)	-	-	6,095	(4,194,053)
Total cash and investment fund balance - ending	$ 153,157	$ 648,607	$ (231,296)	$ -	$ -	$ 6,095	$ (4,194,053)

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2004-2005 Vocational Co-Op	2005-2006 Vocational Co-Op	2006-2007 Vocational Co-Op	2005-2006 Extended Services Clearing	2006-2007 Extended Services Clearing	Creative Child Care	Educational License Plate
Receipts:							
Local sources	$ -	$ 1,151,640	$ 1,296	$ 2,640	$ 69,858	$ 229,816	$ -
Intermediate sources	-	-	-	-	-	-	4,781
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	-	1,151,640	1,296	2,640	69,858	229,816	4,781
Disbursements:							
Current:							
Instruction	-	112,922	622,055	-	-	-	-
Support services	281,177	250,787	240,107	1,584	4,106	31,410	-
Community services	-	-	-	7,151	46,213	196,760	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	281,177	363,709	862,162	8,735	50,319	228,170	-
Excess (deficiency) of receipts over disbursements	(281,177)	787,931	(860,866)	(6,095)	19,539	1,646	4,781
Other financing sources (uses):							
Transfers in	-	-	-	-	15,610	14,127	-
Transfers out	-	-	-	(15,610)	-	(14,127)	-
Total other financing sources (uses)	-	-	-	(15,610)	15,610	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(281,177)	787,931	(860,866)	(21,705)	35,149	1,646	4,781
Cash and investments - beginning	281,177	(787,931)	-	21,705	-	15,399	32,167
Cash and investments - ending	$ -	$ -	$ (860,866)	$ -	$ 35,149	$ 17,045	$ 36,948
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ -	$ (860,866)	$ -	$ 35,149	$ 17,045	$ 36,948
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ -	$ (860,866)	$ -	$ 35,149	$ 17,045	$ 36,948
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	(860,866)	-	35,149	17,045	36,948
Total cash and investment fund balance - ending	$ -	$ -	$ (860,866)	$ -	$ 35,149	$ 17,045	$ 36,948

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	Alternative Education Grant	Early Intervention	2005-2006 Opportunity School	2005-2006 Priority School	2006-2007 Opportunity School	2006-2007 Priority School	2005-2006 WC Music Nike
Receipts:							
Local sources	$ -	$ -	$ 837,348	$ 21,295	$ -	$ 85,000	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	79,127	14,000	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	79,127	14,000	837,348	21,295	-	85,000	-
Disbursements:							
Current:							
Instruction	-	7,265	78,867	12,099	408,177	66,525	7
Support services	190,416	-	134,244	4,233	136,524	41,925	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	190,416	7,265	213,111	16,332	544,701	108,450	7
Excess (deficiency) of receipts over disbursements	(111,289)	6,735	624,237	4,963	(544,701)	(23,450)	(7)
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	(111,289)	6,735	624,237	4,963	(544,701)	(23,450)	(7)
Cash and investments - beginning	149,195	49,167	(629,909)	(4,963)	-	-	7
Cash and investments - ending	$ 37,906	$ 55,902	$ (5,672)	$ -	$ (544,701)	$ (23,450)	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ 37,906	$ 55,902	$ (5,672)	$ -	$ (544,701)	$ (23,450)	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 37,906	$ 55,902	$ (5,672)	$ -	$ (544,701)	$ (23,450)	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	37,906	55,902	(5,672)	-	(544,701)	(23,450)	-
Total cash and investment fund balance - ending	$ 37,906	$ 55,902	$ (5,672)	$ -	$ (544,701)	$ (23,450)	$ -

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	Christmas Sing	Johnson Controls Achievement	2005-2006 Community Education/ Recreation	2006-2007 Community Education/ Recreation	Special Education Donation	Planetarium	Adventure Environmental Learning Center
Receipts:							
Local sources	$ 9,838	$ -	$ 7,200	$ 43,151	$ 90	$ 120	$ 5,360
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	9,838	-	7,200	43,151	90	120	5,360
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	1,742	3,890	-	-	75
Community services	9,485	-	8,420	52,155	-	-	-
Nonprogrammed charges	-	-	-	-	1,054	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	9,485	-	10,162	56,045	1,054	-	75
Excess (deficiency) of receipts over disbursements	353	-	(2,962)	(12,894)	(964)	120	5,285
Other financing sources (uses):							
Transfers in	-	-	-	13,812	-	-	-
Transfers out	-	-	(13,812)	-	-	-	-
Total other financing sources (uses)	-	-	(13,812)	13,812	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	353	-	(16,774)	918	(964)	120	5,285
Cash and investments - beginning	(353)	352	16,774	-	9,928	731	9,105
Cash and investments - ending	$ -	$ 352	$ -	$ 918	$ 8,964	$ 851	$ 14,390
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ 352	$ -	$ 918	$ 8,964	$ 851	$ 14,390
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ 352	$ -	$ 918	$ 8,964	$ 851	$ 14,390
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	352	-	918	8,964	851	14,390
Total cash and investment fund balance - ending	$ -	$ 352	$ -	$ 918	$ 8,964	$ 851	$ 14,390

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	Distance Learning Lab	ACC Special	Mitchell ECA	2002 Indianaext	Friends of Multi-Culture	Elementary Instruction Continuation	2006-2007 Ball Brothers Wellness
Receipts:							
Local sources	$ -	$ -	$ 5,018	$ -	$ -	$ -	$ 10,000
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	-	-	5,018	-	-	-	10,000
Disbursements:							
Current:							
Instruction	-	-	5,018	-	-	711	-
Support services	-	-	-	1,774	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	5,018	1,774	-	711	-
Excess (deficiency) of receipts over disbursements	-	-	-	(1,774)	-	(711)	10,000
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	-	-	-	(1,774)	-	(711)	10,000
Cash and investments - beginning	1,875	715	-	1,774	101	7,704	-
Cash and investments - ending	$ 1,875	$ 715	$ -	$ -	$ 101	$ 6,993	$ 10,000
Cash and Investment Assets - Ending							
Cash and investments	$ 1,875	$ 715	$ -	$ -	$ 101	$ 6,993	$ 10,000
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 1,875	$ 715	$ -	$ -	$ 101	$ 6,993	$ 10,000
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	1,875	715	-	-	101	6,993	10,000
Total cash and investment fund balance - ending	$ 1,875	$ 715	$ -	$ -	$ 101	$ 6,993	$ 10,000

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	Ball Brother Washington Carver/ Sutton	2004-2005 Professional Development	2005-2006 Gifted/ Talented	2005-2006 Professional Development	2004-2005 Wilson Tech Assistance	2006-2007 Gifted/ Talented	2006-2007 Professional Development
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	2,326	329	-	-	25,748	100,081
Federal sources	-	-	-	-	-	-	-
Total receipts	-	2,326	329	-	-	25,748	100,081
Disbursements:							
Current:							
Instruction	-	-	172	-	8,424	25,575	-
Support services	1,200	643	150	51,313	-	-	9,492
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	1,200	643	322	51,313	8,424	25,575	9,492
Excess (deficiency) of receipts over disbursements	(1,200)	1,683	7	(51,313)	(8,424)	173	90,589
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	(1,200)	1,683	7	(51,313)	(8,424)	173	90,589
Cash and investments - beginning	1,200	(1,683)	(7)	50,198	8,424	-	-
Cash and investments - ending	$ -	$ -	$ -	$ (1,115)	$ -	$ 173	$ 90,589
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ -	$ -	$ (1,115)	$ -	$ 173	$ 90,589
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ -	$ -	$ (1,115)	$ -	$ 173	$ 90,589
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	-	(1,115)	-	173	90,589
Total cash and investment fund balance - ending	$ -	$ -	$ -	$ (1,115)	$ -	$ 173	$ 90,589

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	Non-English Speaking Program	2004-2005 Buddy-Longfellow	2005-2006 Buddy Star Writers-Longfellow	Technology Clearing	2005-2006 Buddy-Longfellow	Buddy Camp Moodle	YOC Purpose Driven Partners
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,000
Intermediate sources	-	-	-	-	-	-	-
State sources	293	-	310	107,733	-	6,030	-
Federal sources	-	-	-	-	-	-	-
Total receipts	293	-	310	107,733	-	6,030	3,000
Disbursements:							
Current:							
Instruction	-	-	310	-	-	-	3,000
Support services	-	300	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	300	310	-	-	-	3,000
Excess (deficiency) of receipts over disbursements	293	(300)	-	107,733	-	6,030	-
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	293	(300)	-	107,733	-	6,030	-
Cash and investments - beginning	3,324	835	125	630,941	5,883	-	-
Cash and investments - ending	$ 3,617	$ 535	$ 125	$ 738,674	$ 5,883	$ 6,030	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ 3,617	$ 535	$ 125	$ 738,674	$ 5,883	$ 6,030	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 3,617	$ 535	$ 125	$ 738,674	$ 5,883	$ 6,030	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	3,617	535	125	738,674	5,883	6,030	-
Total cash and investment fund balance - ending	$ 3,617	$ 535	$ 125	$ 738,674	$ 5,883	$ 6,030	$ -

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2005-2006 Title I	2005-2006 Title I, Part D	2006-2007 Title I	2006-2007 Title I N/D	2006-2007 Title I School Improvement	Title V- Part A Innovative Program	2005-2006 Title V A Innovative Program
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	376,364	47,837	2,623,998	299,432	85,344	858	15,000
Total receipts	376,364	47,837	2,623,998	299,432	85,344	858	15,000
Disbursements:							
Current:							
Instruction	334,467	53,626	1,842,689	217,357	69,888	-	425
Support services	131,670	6,599	1,078,404	86,593	4,193	-	10,616
Community services	98	-	16,273	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	466,235	60,225	2,937,366	303,950	74,081	-	11,041
Excess (deficiency) of receipts over disbursements	(89,871)	(12,388)	(313,368)	(4,518)	11,263	858	3,959
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(15,775)
Total other financing sources (uses)	-	-	-	-	-	-	(15,775)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(89,871)	(12,388)	(313,368)	(4,518)	11,263	858	(11,816)
Cash and investments - beginning	89,871	12,388	-	-	-	(858)	12,195
Cash and investments - ending	$ -	$ -	$ (313,368)	$ (4,518)	$ 11,263	$ -	$ 379
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ -	$ (313,368)	$ (4,518)	$ 11,263	$ -	$ 379
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ -	$ (313,368)	$ (4,518)	$ 11,263	$ -	$ 379
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	(313,368)	(4,518)	11,263	-	379
Total cash and investment fund balance - ending	$ -	$ -	$ (313,368)	$ (4,518)	$ 11,263	$ -	$ 379

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2006-2007 Title V A Innovative Program	2006 Summer Science Camp	2005-2006 IDEA Sliver	2005-2006 IDEA Pre-School	2005-2006 IDEA Pass-Through	2005-2006 IDEA-Muncie	2006-2007 IDEA-Muncie
Receipts:							
Local sources	$ -	$ 6,068	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	4,857	-	13,287	42,542	1,100,956	-	2,072,005
Total receipts	4,857	6,068	13,287	42,542	1,100,956	-	2,072,005
Disbursements:							
Current:							
Instruction	8,345	-	10,871	59,040	-	284,909	1,149,024
Support services	5,709	516	-	6,492	-	87,975	652,492
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	47,717	-
Debt services	-	-	-	-	-	-	-
Total disbursements	14,054	516	10,871	65,532	-	420,601	1,801,516
Excess (deficiency) of receipts over disbursements	(9,197)	5,552	2,416	(22,990)	1,100,956	(420,601)	270,489
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	(9,197)	5,552	2,416	(22,990)	1,100,956	(420,601)	270,489
Cash and investments - beginning	-	(5,552)	(2,416)	22,990	(1,100,956)	420,601	-
Cash and investments - ending	$ (9,197)	$ -	$ -	$ -	$ -	$ -	$ 270,489
Cash and Investment Assets - Ending							
Cash and investments	$ (9,197)	$ -	$ -	$ -	$ -	$ -	$ 270,489
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ (9,197)	$ -	$ -	$ -	$ -	$ -	$ 270,489
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	(9,197)	-	-	-	-	-	270,489
Total cash and investment fund balance - ending	$ (9,197)	$ -	$ -	$ -	$ -	$ -	$ 270,489

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2006-2007 IDEA-Pass-Through	2006-2007 IDEA Pre-School	2006-2007 Targeted Funds	Adult Education GED/TV	ABE #8024	2005-2006 GED-On-TV	2006-2007 Adult Basic Education #8024
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	14,602	-	2,908	-
Federal sources	3,160,000	147,748	50,000	-	-	-	164,491
Total receipts	3,160,000	147,748	50,000	14,602	-	2,908	164,491
Disbursements:							
Current:							
Instruction	-	115,666	10,968	5,713	28,783	28,808	77,266
Support services	-	45,468	-	28	11,075	5,492	81,303
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	3,976,250	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	3,976,250	161,134	10,968	5,741	39,858	34,300	158,569
Excess (deficiency) of receipts over disbursements	(816,250)	(13,386)	39,032	8,861	(39,858)	(31,392)	5,922
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	(816,250)	(13,386)	39,032	8,861	(39,858)	(31,392)	5,922
Cash and investments - beginning	-	-	-	34,243	39,858	31,392	-
Cash and investments - ending	$ (816,250)	$ (13,386)	$ 39,032	$ 43,104	$ -	$ -	$ 5,922
Cash and Investment Assets - Ending							
Cash and investments	$ (816,250)	$ (13,386)	$ 39,032	$ 43,104	$ -	$ -	$ 5,922
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ (816,250)	$ (13,386)	$ 39,032	$ 43,104	$ -	$ -	$ 5,922
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	(816,250)	(13,386)	39,032	43,104	-	-	5,922
Total cash and investment fund balance - ending	$ (816,250)	$ (13,386)	$ 39,032	$ 43,104	$ -	$ -	$ 5,922

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2006-2007 GED-On-TV	Local Even Start	2004-2007 Learning Choices	2005-2006 Even Start	2006-2007 Even Start	2005-2006 Drug Free School Title IV	2004-2005 Drug Free School Title IV
Receipts:							
Local sources	$ -	$ 6,952	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	220,500	-	-	-	-	-	-
Federal sources	-	-	67,059	-	96,319	67,789	209
Total receipts	220,500	6,952	67,059	-	96,319	67,789	209
Disbursements:							
Current:							
Instruction	187,915	-	50,951	17,743	63,537	-	-
Support services	20,149	3,330	8,548	4,224	22,592	5,226	104
Community services	-	18,996	2,057	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	208,064	22,326	61,556	21,967	86,129	5,226	104
Excess (deficiency) of receipts over disbursements	12,436	(15,374)	5,503	(21,967)	10,190	62,563	105
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(37,644)	-
Total other financing sources (uses)	-	-	-	-	-	(37,644)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	12,436	(15,374)	5,503	(21,967)	10,190	24,919	105
Cash and investments - beginning	-	35,140	(14,105)	21,967	-	6,310	(105)
Cash and investments - ending	$ 12,436	$ 19,766	$ (8,602)	$ -	$ 10,190	$ 31,229	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ 12,436	$ 19,766	$ (8,602)	$ -	$ 10,190	$ 31,229	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 12,436	$ 19,766	$ (8,602)	$ -	$ 10,190	$ 31,229	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	12,436	19,766	(8,602)	-	10,190	31,229	-
Total cash and investment fund balance - ending	$ 12,436	$ 19,766	$ (8,602)	$ -	$ 10,190	$ 31,229	$ -

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2006-2007 Drug Free School Title IV	2007-2008 Moving Forward Grant	2005-2006 Perkins	2006-2007 Perkins	BSU - PDS	2006-2007 Title IIA CSR	2005-2006 Title IIA CSR
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	17,713	-	94,705	273,244	6,000	470,990	186,511
Total receipts	17,713	-	94,705	273,244	6,000	470,990	186,511
Disbursements:							
Current:							
Instruction	-	38,764	98,139	211,213	-	461,781	91,097
Support services	1,204	-	4,926	28,497	14,554	229,961	32,708
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	1,204	38,764	103,065	239,710	14,554	691,742	123,805
Excess (deficiency) of receipts over disbursements	16,509	(38,764)	(8,360)	33,534	(8,554)	(220,752)	62,706
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	80,062
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	80,062
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,509	(38,764)	(8,360)	33,534	(8,554)	(220,752)	142,768
Cash and investments - beginning	-	-	8,360	-	33,288	-	(142,768)
Cash and investments - ending	$ 16,509	$ (38,764)	$ -	$ 33,534	$ 24,734	$ (220,752)	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ 16,509	$ (38,764)	$ -	$ 33,534	$ 24,734	$ (220,752)	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 16,509	$ (38,764)	$ -	$ 33,534	$ 24,734	$ (220,752)	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	16,509	(38,764)	-	33,534	24,734	(220,752)	-
Total cash and investment fund balance - ending	$ 16,509	$ (38,764)	$ -	$ 33,534	$ 24,734	$ (220,752)	$ -

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	2005-2006 Education Tech Title II D	2004-2005 Title II-D Enhancement Ed. Tech	2005-2006 Title II-D Enhancement Ed. Tech	2006-2008 BSU Math Partnership	2006-2007 Title II-D	2005-2006 Reading First	2006-2007 Reading First
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	31,642	-	13,322	70,018	104,455	82,043	203,682
Total receipts	31,642	-	13,322	70,018	104,455	82,043	203,682
Disbursements:							
Current:							
Instruction	13,583	-	17,056	-	73,501	50,583	80,947
Support services	4,670	5,051	7,741	45,015	41,171	8,291	68,683
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	5,644	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	18,253	5,051	24,797	45,015	120,316	58,874	149,630
Excess (deficiency) of receipts over disbursements	13,389	(5,051)	(11,475)	25,003	(15,861)	23,169	54,052
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(26,643)	-	-	-	-
Total other financing sources (uses)	-	-	(26,643)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,389	(5,051)	(38,118)	25,003	(15,861)	23,169	54,052
Cash and investments - beginning	(13,389)	5,051	39,965	-	-	(23,169)	-
Cash and investments - ending	$ -	$ -	$ 1,847	$ 25,003	$ (15,861)	$ -	$ 54,052
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ -	$ 1,847	$ 25,003	$ (15,861)	$ -	$ 54,052
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ -	$ 1,847	$ 25,003	$ (15,861)	$ -	$ 54,052
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	1,847	25,003	(15,861)	-	54,052
Total cash and investment fund balance - ending	$ -	$ -	$ 1,847	$ 25,003	$ (15,861)	$ -	$ 54,052

MUNCIE COMMUNITY SCHOOLS
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 June 30, 2007
(Continued)

	Displaced Students	Retirement/ Severance Bond	Facility Construction/ Repair	2005-2006 21st Century Scholars	2006-2007 21st Century Scholars	2006-2007 21st Century Contingency	Totals
Receipts:							
Local sources	$ -	$ 429,525	$ 321,832	$ -	$ -	$ -	$ 11,746,233
Intermediate sources	-	-	-	-	-	-	4,781
State sources	-	-	-	115,251	141,679	11,333	1,460,051
Federal sources	21,989	-	-	-	-	-	13,905,041
Total receipts	21,989	429,525	321,832	115,251	141,679	11,333	27,116,106
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	11,688,121
Support services	-	-	377,344	3,684	50,791	-	12,566,437
Community services	-	-	-	14,966	167,711	-	540,285
Nonprogrammed charges	-	-	-	-	-	-	4,030,665
Debt services	-	379,018	-	-	-	-	379,018
Total disbursements	-	379,018	377,344	18,650	218,502	-	29,204,526
Excess (deficiency) of receipts over disbursements	21,989	50,507	(55,512)	96,601	(76,823)	11,333	(2,088,420)
Other financing sources (uses):							
Transfers in	-	107	-	-	-	-	347,713
Transfers out	-	-	-	-	-	-	(173,890)
Total other financing sources (uses)	-	107	-	-	-	-	173,823
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	21,989	50,614	(55,512)	96,601	(76,823)	11,333	(1,914,597)
Cash and investments - beginning	6,000	(21,301)	1,516,283	(96,601)	-	-	(1,453,588)
Cash and investments - ending	$ 27,989	$ 29,313	$ 1,460,771	$ -	$ (76,823)	$ 11,333	$ (3,368,185)
Cash and Investment Assets - Ending							
Cash and investments	$ 27,989	$ -	$ 1,460,771	$ -	$ (76,823)	$ 11,333	$ (3,397,498)
Restricted assets:							
Cash and investments	-	29,313	-	-	-	-	29,313
Total cash and investment assets - ending	$ 27,989	$ 29,313	$ 1,460,771	$ -	$ (76,823)	$ 11,333	$ (3,368,185)
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ 29,313	$ -	$ -	$ -	$ -	$ 29,313
Unrestricted	27,989	-	1,460,771	-	(76,823)	11,333	(3,397,498)
Total cash and investment fund balance - ending	$ 27,989	$ 29,313	$ 1,460,771	$ -	$ (76,823)	$ 11,333	$ (3,368,185)

MUNCIE COMMUNITY SCHOOLS
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2007

	Harry Mock Gift	Demaree Scholarship	Keihin Scholarship	Gladys Arthur Hoan Scholarship	Totals
Additions:					
Contributions:					
Other	$ -	$ 180	$ 18,275	$ 347	$ 18,802
Deductions:					
Administrative and general	-	200	3,000	100	3,300
Excess (deficiency) of total additions over total deductions	-	(20)	15,275	247	15,502
Cash and investment fund balance - beginning	28	20	16,500	1,465	18,013
Cash and investments - June 30	$ 28	$ -	$ 31,775	$ 1,712	$ 33,515
Net assets:					
Cash and investments	$ 28	$ -	$ 31,775	$ 1,712	$ 33,515
Total net assets - cash and investment basis held in trust	$ 28	$ -	$ 31,775	$ 1,712	$ 33,515

Muncie Community Schools
2501 N. OAKWOOD AVENUE • MUNCIE, IN 47304-2399
Prepare Now - Anticipate the Future

MUNCIE COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

Capital assets are reported at replacement cost.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	$ 488,550
Buildings	69,835,391
Improvements other than buildings	2,327,878
Machinery and equipment	4,451,958
Total governmental activities, capital assets not being depreciated	$ 77,103,777

TELEPHONE 765-747-5211 • FAX # 765-747-5352

Muncie Community Schools
2501 N. OAKWOOD AVENUE • MUNCIE, IN 47304-2399
Prepare Now - Anticipate the Future

MUNCIE COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School Facilities	$ 76,120,000	$ 3,015,691
Notes and loans payable	139,704	143,442
Bonds payable:		
Revenue bonds:		
Pension Bonds	4,755,000	379,302
Total governmental activities debt	$ 81,014,704	$ 3,538,435

TELEPHONE 765-747-5211 • FAX # 765-747-5352

RECEIPT ISSUANCE - ADMINISTRATION OFFICE

Approved receipts were not written until the time of deposit.

A similar comment appeared in prior reports.

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 Indiana Public School Corporations, Chapter 9)

COMMUTING MILEAGE

Administrators from Mitchell Elementary, South View Elementary, Sutton Elementary, and Southside High Schools were provided mileage reimbursements for traveling to and from the schools for after school activities.

Reimbursed mileage shall not include travel to and from the officer's or employee's home and the governmental office in which he works, unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS – MILEAGE FORM 101

Mileage Form 101 was not always used for mileage reimbursements. Several Mileage Form 101 claims did not document individual dates traveled.

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 Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

The following deficiencies were noted during a review of capital asset records:

1. Assets were recorded at replacement cost rather than acquisition value.

2. Construction in progress of at least $18,835,200 was not included in the capital asset records at June 30, 2007.

3. Not all asset additions were posted to the capital asset records.

4. An asset with a cost of $5,200 was erroneously posted as $520,000.

5. Not all disposals have been identified and posted to the capital asset records.

6. Inventory tags were sent to the various buildings for attachment to the assets and a log is maintained of those tags, however, no investigation was made if the inventory tags were not subsequently posted to the capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RAINY DAY FUND

A transfer of $3,000,000 was made from the Transportation Operating Fund to the Rainy Day Fund. The cash balance of the Transportation Operating Fund was ($1,055,273) at June 30, 2007. Unused appropriations less encumbrances at December 31, 2006, totaled $0.

Indiana Code 36-1-8-5.1 states in part: "An ordinance or resolution adopted under this section must specify the following: (1) The purposes of the rainy day fund. (2) The sources of funding for the rainy day fund, which may include the following: (A) Unused and unencumbered funds under: (i) section 5 of this chapter; (ii) IC 6-3.5-1.1-21.1; (iii) IC 6-3.5-6-17.3; or (iv) IC 6-3.5-7-17.3."

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 Indiana Public School Corporations, Chapter 9)

CREDIT CARD AND TRAVEL DISBURSEMENTS

There were no supporting invoices presented for audit for several meals, several travel expenses, a gas purchase, an airline ticket, grocery purchases and supplies. Credit card slips or statements were the only supporting documentation in some instances.

Disbursements for food, candy, Special Education supplies, and unidentified items were paid from appropriation line items other than the Promotion of School Corporation appropriation line item, except for Special Education supplies of $133.62. The following schedule details credit card charges that were not properly posted:

Date	Description	Amount	Account Posted
06-29-06	Retirement luncheon*	$ 270.99	Nonprogrammed charges
07-10-06	Food for School Board meeting*	29.05	Supplies
07-10-06	Food for School Board meeting*	64.04	Supplies

* - The claim did not indicate the reason for the meeting and/or the individuals attending. Explanations were provided from individual cardholders as to the reason for the meetings, however, specific individuals attending were not provided for all charges.

^ - Violation of the School Corporation's travel policy

Date	Description	Amount	Account Posted
07-18-06	Food for School Board retreat*	32.88	Travel - Superintendent
07-05-06	Lunch for Superintendent and Board President^	21.60	Travel - Superintendent
07-07-06	Meal for Delaware County Superintendent's meeting^	9.20	Travel - Superintendent
08-08-06	Food purchases for work session for School Board members, Superintendent, staff*	51.23	Supplies
08-07-06	Cakes for School Board meeting	19.02	Supplies
07-30-06	Meals for Great City Schools Accreditation Team*	199.95	Supplies
08-07-06	Food for School Board meeting	17.08	Supplies
09-01-06	Meal for Delaware County Superintendent's meeting^	11.24	Travel - Superintendent
09-19-06	Candy for Homecoming Parade	298.80	Supplies
10-23-06	Luncheon for leadership training program visitors*	28.17	Supplies
10-30-06	Supplies for Halloween party	52.65	Supplies
10-25-06	Meals for Chinese Educators	24.44	Supplies
11-03-06	Meal for Delaware County Superintendent's meeting^	11.34	Travel - Superintendent
10-27-06	Meals for Chinese Educators^	74.67	Travel - Superintendent
11-09-06	Meals for School Board , Dr. Reid, staff	672.69	Travel - Superintendent
12-08-06	Meal for Delaware County Superintendent's meeting^	11.84	Travel - Superintendent
12-10-06	Meals for guest principals from Brazil*	77.45	Nonprogrammed charges
12-19-06	Luncheon for honor students and administrators*	64.57	Supplies
12-12-06	Meals for guest principals from Brazil*	86.39	Nonprogrammed charges
12-18-06	Party for honor students*	153.72	Supplies
12-21-06	Administration Building Christmas party*	299.24	Supplies
12-14-06	Lodging for Accreditation Committee	1,553.85	Nonprogrammed charges
01-05-07	Meal for Delaware County Superintendent's meeting	6.14	Supplies
04-16-07	Meals for four School Board members for National School Boards Association annual meeting*	82.26	Travel - Superintendent
04-15-07	Meals for four School Board members at National School Boards Association annual conference*	360.08	Travel - Superintendent
04-02-07	Refreshments for professional development meeting	38.38	Supplies

* - The claim did not indicate the reason for the meeting and/or the individuals attending. Explanations were provided from individual cardholders as to the reason for the meetings, however, specific individuals attending were not provided for all charges.

^ - Violation of the School Corporation's travel policy

Date	Description	Amount	Account Posted
03-20-07	Luncheon for professional development consultant*	58.23	Supplies
06-14-07	Meal for School Board members, Superintendent, Superintendent's staff*^	447.69	Travel - Superintendent
06-01-07	Meal for Delaware County Superintendent's meeting^	13.27	Travel-Superintendent
05-30-07	Candy for Black Expo Parade	292.36	Supplies
06-13-07	Meals for professional development meeting*	121.19	Supplies
06-13-07	Meals for professional development meeting*	102.59	Supplies
06-27-07	Meal for priority school meeting*	32.27	Supplies
07-08-07	Meals for Accreditation Team*	96.99	Supplies
07-23-07	Meals for School Board members and Superintendent*	50.78	Travel - Superintendent
07-02-07	Meals for School Board member and Superintendent*^	24.25	Travel - Superintendent
07-14-07	Unidentified charge to French Lick Resort	117.70	Travel - Superintendent
07-27-07	Meals for Legislative Committee*	128.95	Supplies
08-02-07	Meal for AMEX	24.37	Supplies
08-15-07	Car seat for Special Education	43.74	General Fund - supplies
08-21-07	Refrigerator for Special Education	89.88	General Fund - supplies
09-07-07	Meal for Delaware County Superintendent's meeting	11.45	Supplies
09-14-07	Meal for Board Retreat planning session*	42.39	Supplies
09-25-07	Candy for Homecoming Parade	229.80	Supplies
09-12-07	Candy for Homecoming Parade	268.28	Supplies
10-05-07	Meal for Delaware County Superintendent's meeting^	12.79	Travel - Superintendent
10-09-07	Meal for insurance meeting	18.79	Supplies
10-14-07	Meals for Great City Schools Accreditation Team*	162.13	Supplies
10-15-07	Meals for Great City Schools Accreditation Team*	115.63	Supplies

* - The claim did not indicate the reason for the meeting and/or the individuals attending. Explanations were provided from individual cardholders as to the reason for the meetings, however, specific individuals attending were not provided for all charges.

^ - Violation of the School Corporation's travel policy

The travel policy states in part: "Meals up to $30 per diem will be allowed for meals. Your claim should reflect only the portion of the day spent outside of Muncie and original receipts should be included to document expenditures. No approval will be given for meals in Muncie."

We noted during the review of credit card disbursements and inquiry with personnel, that a credit card was given to an employee to purchase supplies. The employee signed the name of the cardholder.

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

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

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

(1) there is a fully itemized invoice or bill for the claim;"

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 20-26-5-4(3) states:

"To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars ($3,000) per budget year or one dollar ($1) per pupil, not to exceed twelve thousand five hundred dollars ($12,500), based on the school corporation's previous year's average daily membership (as defined in IC 21-3-1.6-1.1) to promote the best interests of the school corporation through:

(A) the purchase of meals, decorations, memorabilia, or awards:

(B) provision for expenses incurred in interviewing job applicants; or

(C) developing relations with other governmental units."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRAVEL POLICY

The School Corporation has a policy concerning travel.

A disbursement of $360.08 was paid for meals for four School Board members while attending a conference in San Francisco resulting in approximately $90 disbursed for each individual. Also, a reimbursement of $53 and $91.09 for two separate days was paid for meals to a School Board member while attending a conference in San Francisco.

Several disbursements for meals in Muncie restaurants were charged to the travel budget line items.

The travel policy states in part: "Meals up to $30 per diem will be allowed for meals. Your claim should reflect only the portion of the day spent outside of Muncie and original receipts should be included to document expenditures. No approval will be given for meals in Muncie."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COMPENSATION AND BENEFITS

Stipends were paid to certified personnel and not included in the payroll system or on the salary resolution.

A similar comment appeared in prior reports.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at June 30:

Debt Service	$	1,169,902
Transportation Operating		1,055,273
Capital Projects		1,751,963
Textbook Rental		231,296
2006-2007 Delaware-Blackford Special Education		4,194,053
2006-2007 Vocational Co-Op		860,866
2006-2007 Opportunity School		544,701
2006-2007 Title I		313,368
2006-2007 IDEA - Pass-Through		816,250
2006-2007 Title IIA CSR		220,752

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 Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS – TICKET SALES REPORT (Applies to Central High and Wilson Middle Schools)

Central High School was not using the Prescribed Ticket Sale Report (Form SA-4), and the report prepared did not include the signatures of the person preparing the report or the person approving the report.

Wilson Middle School was not using the Prescribed Ticket Sale Report (Form SA-4). Five of the seven reports reviewed did not include the signature of the person selling the tickets. For two of the reports reviewed, there was an unexplained difference between the report and the amount deposited. One report reviewed included $50 retained from the deposit for cash change. One ticket sale report indicated that refunds had been given from the funds received.

A similar comment appeared in Reports B24922 and B29782.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-curricular Accounts, 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 Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS (Applies to Storer Elementary)

The following deficiency was noted on claims during the audit period:

Claims were not adequately itemized.

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 disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DEPOSITS NOT TIMELY (Applies to North View Elementary and Wilson Middle Schools)

Receipts were not deposited timely. At North View Elementary, a receipt dated February 9, 2007, was not deposited until February 22, 2007. At Wilson Middle School, funds were accumulated for up to 35 days and $7,600 before deposit.

A similar comment appeared in prior Reports B24922 and B29782.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

DEPOSITS (Applies to Washington Carver Elementary School)

Some receipts were written for amounts which could not be verified to bank deposits.

A similar comment appeared in prior Reports B24922 and B29782.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

PRESCRIBED FORMS – FORM SA-7 (Applies to Mitchell Elementary School)

Fourteen of the Forms SA-7 (Claim for Payment) examined were not properly approved and two of the claims examined were not signed by the Treasurer.

A similar comment appeared in prior Reports B24922 and B29782.

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 Extra-Curricular Accounts, Chapter 7)

RECEIPT ISSUANCE (Applies to Southside High and Central High and Wilson Middle Schools)

Receipt Forms SA-3 were not always issued when collections were received.

A similar comment appeared in prior Reports B24922 and B29782.

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 Extra-Curricular Accounts, Chapter 7)

PRESCRIBED FORMS – INVESTMENT FORM 350 (Applies to Central High School)

The prescribed Register of Investments Form 350 was not used.

A similar comment appeared in prior Report B29782.

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 Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to Sutton Elementary Creative Child Care)

1. Remittances to the Extra-Curricular Treasurer by an employee were short by $158 for the period August 17, 2006 to November 16, 2007, as detailed below:

a. Six receipts totaling $102.50 were not remitted to the Extra-Curricular Treasurer. Two receipts totaling $17.50 were not posted to the Contracted Fee Collection Form. Four receipts totaling $85.00 were posted to the Contracted Fee Collection Form. The Contracted Fee Collection Form details the child's name, child care fees due, fees paid, receipt number, receipt date, balances, Aide initials completing entries, etc.

b. A comparison of duplicate receipts to remittances indicated differences that were not identifiable by specific receipts. Remittances to the Extra-Curricular Treasurer were less than receipts in the amount of $20 for the period March 7, 2007 to March 13, 2007, and were more than receipts in the amount of $25 for the period March 20, 2007 to April 4, 2007, resulting in a net overage of $5.

c. A $40 receipt entry posted to the Contracted Fee Collection Form was not supported by a corresponding receipt number. No receipt could be found to support the entry.

d. A $20.50 receipt entry posted to the Contracted Fee Collection Form noted a receipt that had been voided. No other receipt could be found to support the entry.

2. Some receipts were written for amounts which could not be verified to bank deposits.

3. Receipts were not posted to the Contracted Fee Collection Form or were posted to the Contracted Fee Collection Form for amounts different than the receipt amounts.

The employee has been terminated from employment.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

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

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of the Muncie Community Schools (School Corporation) 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 June 30, 2007. The School Corporation'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 School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation'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 School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-2 and 2007-3.

Internal Control Over Compliance

The management of the School Corporation 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 School Corporation'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The School Corporation's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan and Official Response sections of the report. We did not audit the School Corporation's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, school board, 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

February 19, 2008

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553		
		FY06-07	$ 504,856
National School Lunch Program	10.555		
		FY06-07	1,786,945
Total for federal grantor agency			2,291,801
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Grant			
Supportive Housing Program	14.235		
		2004-2007	60,015
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027		
		14206-010-PN01 Muncie	142,283
		14206-010-PY02	1,904,245
		14206-010-PY02 Muncie	2,072,005
		14205-010-DY01	10,292
		14206-061-DY01	22,214
Total for Program			4,151,039
Special Education - Preschool	84.173		
		45706-010-PN01	40,271
		45707-010-PN01	192,748
Total for Program			233,019
Total for Cluster			4,384,058
Adult Education - State Grant Program	84.002		
		FY2006-8024	21,349
		FY2007-8024	177,686
Total for Program			199,035
Title I Grants to Local Educational Agencies	84.010		
School Improvement		06-1970	140,345
		07-1970	2,963,221
		07-1970	111,596
Total for Program			3,215,162
Title I Program for Neglected and Delinquent Children	84.013		
		06-1970	31,850
		07-1970	299,432
Total for Program			331,282
Vocational Education - Basic Grants to States	84.048		
		06-4700-22-1970	19,221
		07-4700-1970	349,518
Total for Program			368,739

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

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2007
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION (continued)			
Pass-Through Indiana Department of Education (continued)			
Safe and Drug Free Schools and Communities	84.186		
		05-240	36,455
		1970-06	1,204
Total for Program			37,659
Even Start - State Educational Agencies	84.213		
		FY2006-8024	6,968
		FY07-1005	96,319
Total for Program			103,287
Tech-Prep Education	84.243		
		CPS-6-34	42,614
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276		
		I Step Up	13,962
State Grants for Innovative Programs	84.298		
		05-173	9,941
		06-1970	14,857
Total for Program			24,798
Education Technology State Grants	84.318		
		FY2004	2,463
		FY2005	16,329
		FY2006	137,344
Total for Program			156,136
Reading First State Grants	84.357		
		FY05-06	28,415
		FY06-07	168,505
Total for Program			196,920
Mathematics and Science Partnerships	84.366		
		FY06	47,088
Improving Teacher Quality State Grants	84.367		
		06-1970	679,637
Hurricane Education Recovery	84.938		
		FY05	4,614
Total for Federal Grantor Agency			9,804,991
Total federal awards expended			$ 12,156,807

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

MUNCIE COMMUNITY SCHOOLS
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 Muncie Community Schools (School Corporation) 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 School Corporation provided federal awards to subrecipients as follows for the year ended June 30, 2007:

Program Title	Federal CFDA Number	2007
Special Education – Grants to States	84.027	$ 1,904,245
Adult Education – State Grant Program	84.002	29,285

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the year ending June 30, 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007
National School Lunch Program	10.555	$ 103,193

MUNCIE COMMUNITY SCHOOLS
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
Control Deficiencies 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? no
Control Deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
84.048	Vocational Education - Basic Grants to States
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: $364,704

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2007-1, FINANCIAL STATEMENT FINDINGS

Approved receipts were not written until the deposit was made. Collections were received by the Accounts Receivable Office and placed in the safe until the deposit was to be made. Failure to write and issue a receipt at the time of collection results in the chain of control of the cash and checks being broken and gives the opportunity for misappropriation of the funds.

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 Indiana Public School Corporations, Chapter 9)

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 Indiana Public School Corporations, Chapter 9)

We recommended that School Officials write receipts when the money is received.

Section III – Federal Award Findings and Questioned Costs

Finding 2007-2, Vocational Education - Cash Management

Federal Agency: U.S. Department of Education
Federal Program: Vocational Education - Basic Grants to States
CFDA Number: 84.048
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education determines the drawdown schedule for Vocational Education grants and there is no opportunity for Local Education Agencies to alter this schedule. Because equipment purchases cannot be made until the subsequent year vocational education programs are determined, Muncie Community Schools has not been able to minimize the time elapsing between the transfer of funds from the Indiana Department of Education and their disbursement. Three of the four quarters reviewed had surplus cash balances at the end of the month.

EDGAR 80.20 (b)(7) states in part: "Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to minimize the cash on hand as determined by the grant agreement and the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments may cause future funding to be reduced by the pass-through agency.

We recommended that Muncie Community Schools try to match their budgeted expenditures with the drawdown requests included in the Vocational Education application and monitor monthly cash balances with the goal to minimize the amount of cash on hand at the end of the month.

FINDING 2007-3, VOCATIONAL EDUCATION - PERIOD OF AVAILABILITY OF FUNDS

Federal Agency: U.S. Department of Education
Federal Program: Vocational Education – Basic Grants
CFDA Number: 84.048
Pass-Through Entity: Indiana Department of Education

Muncie Community Schools did not liquidate all Vocational Education funds for Project 07-4700-1970 until November 20, 2007, due to delays in construction at South Side High School.

The Notification of Grant Award from the Indiana Department of Education Office of Career and Technical Education states in part: "14. The grantee agrees to liquidate all obligations incurred under the award within ninety days after the end of the funding period, but no later than September 30, 2007. Any amounts not expended at the end of the 90 day period are to be returned to the grantor agency."

Failure to expend all money during the period of availability stated in the grant award could result in the pass-through agency requesting reimbursement of funds spent outside the period of availability.

We recommended that Muncie Community Schools properly expend all funds by deadlines noted in the grant awards.

Muncie Community Schools
2501 N. OAKWOOD AVENUE • MUNCIE, IN 47304-2399
Prepare Now - Anticipate the Future

December 11, 2007

Summary Schedule of Audit Findings

Original SBA Audit Report #	B29782
Fiscal Years	2004-2006
Auditee Contact Person	Mark A. Burkhart
Title of Contact Person	Treasurer
Phone Number of Contact Person	765-747-5222

Status of Federal Findings
2006-2 Title 1 Cash Management

This finding regarding excessive cash balance is attributed to federal mandates to set aside funds for school choice and supplemental services. These funds are requested in anticipation of patron use which does not always materialize per the federal mandate. The school district has now intentionally assumed that there will be little, if any, request for these services and, therefore, these funds were not drawn from the state agency. Actually, the LEA has overcorrected in order to attempt to carry a constant negative Title 1 fund balance until the last month of the project.

2006-3 Adult Education – Cash Management
2006-4 Vocational Education – Cash Management
2006-5 First Reading – Cash Management

The grant directors for the three (3) funds listed above were directed to submit cash requests which would, by design, cause a constant negative cash balance in each fund until the final month of project fiscal activity.

2006-6 Adult Education Reporting

The project director for Adult Basic Education has been directed to reconcile any discrepancies between an interim final expenditure report and actual expenditures via filing an amended final expenditure report.

Respectfully Submitted,

Mark A. Burkhart

Mark A. Burkhart, Treasurer

TELEPHONE 765-747-5211 • FAX # 765-747-5352

Muncie Community Schools
2501 N. OAKWOOD AVENUE • MUNCIE, IN 47304-2399
Prepare Now - Anticipate the Future

February 19, 2008

Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

Re: 2006-2007 Audit Findings Response

In response to the findings in your agency's audit report for the Muncie Community Schools for the period of July 1, 2006, through June 30, 2007, please note the following:

Finding 2006-1 Receipts were not written until the deposit was made.

Receipts are now issued at the time revenue is actually received. Once a receipt is issued, a bank deposit, including the receipted revenue in question, is made within one (1) business day.

Finding 2007-2 Vocational Education – Cash Management

As noted in the auditor's records, federal Vocational Education funding procedures in Indiana do not provide an opportunity for the grant recipient, Local Education Agency (LEA), to specify exact dates for funding draws from the State Education Agency (SEA). This missing step contributes to a perceived excess cash balance situation in this particular grant. This LEA will contact the SEA regarding the concern.

Finding 2007-3 Vocational Education – Period of Availability of Funds

The LEA is aware of the audit agency's position that grant funds should be expended within 90 days after the grant's last effective date (usually June 30). Therefore, every effort is made to abide by this directive to liquidate funds by September 30. However, contract/purchase order completion is controlled by vendors outside of the LEA and these vendors may fail to meet this September 30 timeline although the LEA's contractual obligation remains in place.

TELEPHONE 765-747-5211 • FAX # 765-747-5352

Also, the LEA would note that the federal Tyding's Amendment appears to contain conflicting language which identifies a "Liquidation Period" of October 1 through December 30 to actually achieve project close-out.

Every effort will be made to completely liquidate federal grants by September 30 with no activity beyond that date.

Respectfully Submitted,

Mark A. Burkhart
Associate Superintendent-Treasurer

MUNCIE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2008, with Mark A. Burkhart, Treasurer; Dr. Marlin B. Creasy, Superintendent of Schools; Steve Edwards, Assistant Superintendent of Schools; and Julius Anderson, President of the School Board. The official response has been made a part of this report and may be found on pages 64 and 65.

Muncie Community Schools
2501 N. OAKWOOD AVENUE • MUNCIE, IN 47304-2399
Prepare Now - Anticipate the Future

February 25, 2008

Indiana State
Board of Accounts
302 W. Washington Street – Rm. E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

On February 19, 2008, field examiners (Stephanie Heath and Theresa Alexander) from the State Board of Accounts (SBA) conducted an exit conference with several representatives (School Board President, Superintendent, Assistant Superintendent, Treasurer) of the Muncie Community Schools to review the results of their audit of school records for the period of July 1, 2006, through June 30, 2007. The purpose of this correspondence is to provide an official, written response to selected issues raised during that exit conference. Other than as noted below, the Muncie Community Schools is in general agreement with all of the audit findings:

A. **Stipends** – We find no statutory reference prohibiting the payment of stipends to employees for participation in professional development activities beyond the scope of their prescribed job description and work day. The Muncie Community Schools Board of School Trustees has previously adopted a Home Rule Resolution to permit such stipend payments. This resolution has been provided to your field examiners. The school district does report these payments per Internal Revenue Service guidelines on Miscellaneous Income Form 1099.

B. **Rainy Day Fund Transfer** – Per Indiana Code (36-1-8-5 & 5.1) and per SBA guidelines (School Administrator Vol. 162-7), the Muncie Community Schools followed prescribed steps in executing a Rainy Day Fund transfer in June, 2007:

   1/23/07 – School Board adopted resolution creating Rainy Day Fund
   2/13/07 – School Board approved Rainy Day Policy #6215
   6/26/07 - School Board approved an inter-fund transfer of $3,000,000 from Fund 41-(Transportation Fund) to Fund 61 (Rainy Day Fund)

TELEPHONE 765-747-5211 • FAX # 765-747-5352

The statutory and regulatory direction for a transfer to the Rainy Day Fund simply notes the "unused and unencumbered" balance of a tax-supported fund may be transferred. The $3,000,000 from the Transportation Fund was absolutely not encumbered. Therefore, it was unencumbered. There is no reference to the need for an available appropriation in the fund from which the transferred amount is taken. An appropriation in Fund #41 would have been expected to make an expenditure from that Fund. No expenditure occurred. An inter-fund transfer occurred per statutory and regulatory direction. In fact, the $3,000,000 transferred was, without question, "unused and unencumbered".

C. **Promotion of the School District** – We take exception to the field examiners' position that expenses for meetings with our own employees (including School Board members) are considered "promotion" of the school district regardless of the venue. There is no need for the school corporation to promote itself to employees - - they are already committed to our schools. The expenses related to meetings with corporation employees are simply part of the cost of operating a school district - - they are not promotional costs.

In conclusion, the Muncie Community Schools would like to commend the work of your field staff – Stephanie Heath, Theresa Alexander and Patty Garrett. They were, for their third consecutive audit of our records, very professional, efficient and thorough in representing the Indiana State Board of Accounts.

Respectfully Submitted,

Mark A. Burkhart
Associate Superintendent-Treasurer

PC: Dr. Creasy