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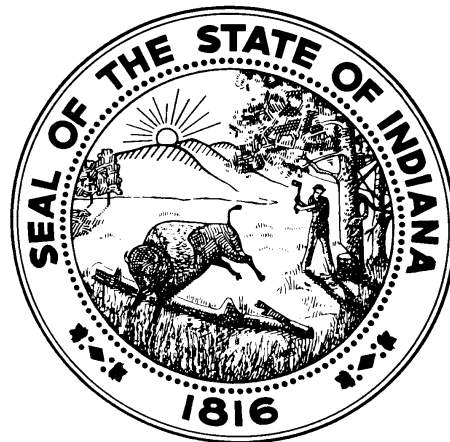
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF MUNCIE

DELAWARE COUNTY, INDIANA



FILED
08/19/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Mary Ann Kratochvil, CPA	01-01-07 to 12-31-08
Mayor	Daniel C. Canan Sharon McShurley	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Elizabeth DeVoe Kelly Christy	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Common Council	William Shroyer Sam Marshall	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Board of Sanitary Commissioners	William B. Smith Mark Miller	01-01-07 to 02-26-08 02-27-08 to 12-31-08



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 CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muncie (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 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 July 15, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not 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

July 15, 2008



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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 CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muncie (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 15, 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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A 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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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.

We noted certain matters that we reported to management in a separate letter dated July 15, 2008.

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

STATE BOARD OF ACCOUNTS

July 15, 2008

CITY OF MUNCIE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 22,976,120	\$ 5,756,028	\$ 738,242	\$ 239,079	\$ (16,242,771)	\$ -	\$ (16,242,771)
Public safety	16,241,271	482,678	419,587	218,084	(15,120,922)	-	(15,120,922)
Highways and streets	3,182,363	84,456	2,527,617	1,170,205	599,915	-	599,915
Health and welfare	316,853	96,328	-	-	(220,525)	-	(220,525)
Economic development	9,442,234	-	1,434,088	492,656	(7,515,490)	-	(7,515,490)
Culture and recreation	1,293,187	476,477	56,685	-	(760,025)	-	(760,025)
Urban redevelopment and housing	2,210,268	-	1,511,013	-	(699,255)	-	(699,255)
Principal and interest on indebtedness	1,468,953	-	-	-	(1,468,953)	-	(1,468,953)
Total governmental activities	57,131,249	6,895,967	6,687,232	2,120,024	(41,428,026)	-	(41,428,026)
Business-type activities:							
Sanitary District	29,503,754	10,679,583	149,568	-	-	(18,674,603)	(18,674,603)
Total business-type activities	29,503,754	10,679,583	149,568	-	-	(18,674,603)	(18,674,603)
Total primary government	\$ 86,635,003	\$ 17,575,550	\$ 6,836,800	\$ 2,120,024	(41,428,026)	(18,674,603)	(60,102,629)
General receipts:							
Property taxes					20,371,256	7,119,517	27,490,773
Intergovernmental:							
Financial institution tax					182,156	81,289	263,445
Auto and aircraft excise tax					934,207	432,922	1,367,129
Vehicle inventory tax					82,319	33,944	116,263
County option income tax					3,258,245	1,002,792	4,261,037
ABC excise tax					46,762	-	46,762
ABC gallonage					129,137	-	129,137
Cigarette tax					64,593	-	64,593
Riverboat distribution					425,198	-	425,198
Loan proceeds					7,535,000	8,500,694	16,035,694
Bond proceeds					5,500,000	4,925,000	10,425,000
Other local sources					1,627,400	-	1,627,400
Investment earnings					280,432	461,098	741,530
Other:							
Miscellaneous					5,982	11,009	16,991
Transfers					569,190	-	569,190
Total general receipts and transfers					41,011,877	22,568,265	63,580,142
Change in net assets					(416,149)	3,893,662	3,477,513
Net assets - beginning					7,309,928	8,842,522	16,152,450
Net assets - ending					\$ 6,893,779	\$ 12,736,184	\$ 19,629,963
<u>Assets</u>							
Cash and investments					\$ 4,717,031	\$ 5,447,572	\$ 10,164,603
Cash with fiscal agent					1,338,649	-	1,338,649
Restricted assets:							
Cash and investments					659,761	2,696,084	3,355,845
Cash with fiscal agent					178,338	4,592,528	4,770,866
Total assets					\$ 6,893,779	\$ 12,736,184	\$ 19,629,963
<u>Net Assets</u>							
Restricted for:							
General government					\$ 52,287	\$ -	\$ 52,287
Public safety					148,201	-	148,201
Highways and streets					400,261	-	400,261
Economic development					60,858	-	60,858
Urban redevelopment and housing					(28,291)	-	(28,291)
Debt service and construction					204,782	7,288,612	7,493,394
Unrestricted					6,055,681	5,447,572	11,503,253
Total net assets					\$ 6,893,779	\$ 12,736,184	\$ 19,629,963

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

CITY OF MUNCIE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Rainy Day	TIF Central City	Industrial Development Revolving Loan	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 17,924,193	\$ -	\$ 295,100	\$ -	\$ 2,151,963	\$ 20,371,256
Licenses and permits	157,534	-	-	-	14,570	172,104
Intergovernmental	5,150,794	665,799	711	-	8,107,381	13,924,685
Charges for services	368,294	-	-	-	703,027	1,071,321
Fines and forfeits	341,136	-	-	-	140,676	481,812
Other	495,062	-	24,798	479,353	1,131,068	2,130,281
Total receipts	24,437,013	665,799	320,609	479,353	12,248,685	38,151,459
Disbursements:						
General government	14,558,652	-	-	-	495,432	15,054,084
Public safety	17,051,369	-	-	-	836,950	17,888,319
Highways and streets	-	-	-	-	3,515,621	3,515,621
Health and welfare	346,476	-	-	-	10,877	357,353
Economic development	-	-	13,680	34,834	9,084,554	9,133,068
Culture and recreation	-	-	-	-	1,429,540	1,429,540
Urban redevelopment and housing	-	-	-	-	2,281,518	2,281,518
Debt service:						
Principal	-	-	-	-	1,045,000	1,045,000
Interest	-	-	-	-	423,953	423,953
Capital outlay:						
General government	-	-	-	-	23,469	23,469
Public safety	176,392	-	-	-	301,983	478,375
Highways and streets	-	-	-	-	40,242	40,242
Economic development	-	-	-	-	309,166	309,166
Culture and recreation	-	-	-	-	15,147	15,147
Total disbursements	32,132,889	-	13,680	34,834	19,813,452	51,994,855
Excess (deficiency) of receipts over disbursements	(7,695,876)	665,799	306,929	444,519	(7,564,767)	(13,843,396)
Other financing sources (uses):						
Loan proceeds	7,535,000	-	-	-	-	7,535,000
Bond proceeds	-	-	-	-	5,500,000	5,500,000
Transfers in	317,061	-	-	-	2,075,778	2,392,839
Transfers out	(39,920)	-	(150,000)	-	(1,633,729)	(1,823,649)
Other receipts	224,488	-	-	-	128,476	352,964
Total other financing sources (uses)	8,036,629	-	(150,000)	-	6,070,525	13,957,154
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	340,753	665,799	156,929	444,519	(1,494,242)	113,758
Cash and investment fund balance - beginning	1,190,051	-	644,426	600,920	4,344,624	6,780,021
Cash and investment fund balance - ending	\$ 1,530,804	\$ 665,799	\$ 801,355	\$ 1,045,439	\$ 2,850,382	6,893,779
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:						
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
Net assets of governmental activities						\$ 6,893,779
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,530,804	\$ 665,799	\$ 801,355	\$ -	\$ 1,719,073	\$ 4,717,031
Cash with fiscal agent	-	-	-	1,045,439	293,210	1,338,649
Restricted assets:						
Cash and investments	-	-	-	-	659,761	659,761
Cash with fiscal agent	-	-	-	-	178,338	178,338
Total cash and investment assets - ending	\$ 1,530,804	\$ 665,799	\$ 801,355	\$ 1,045,439	\$ 2,850,382	\$ 6,893,779
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 52,287	\$ 52,287
Public safety	-	-	-	-	148,201	148,201
Highways and streets	-	-	-	-	400,261	400,261
Economic development	-	-	-	-	60,858	60,858
Urban redevelopment and housing	-	-	-	-	(28,291)	(28,291)
Debt service	-	-	-	-	204,782	204,782
Unrestricted	1,530,804	665,799	801,355	1,045,439	2,012,284	6,055,681
Total cash and investment fund balance - ending	\$ 1,530,804	\$ 665,799	\$ 801,355	\$ 1,045,439	\$ 2,850,382	\$ 6,893,779

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

CITY OF MUNCIE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Enterprise Fund Sanitary District	Internal Service Fund
Operating receipts:		
Metered and flat rate receipts:		
Residential	\$ 5,320,924	\$ -
Commercial	2,003,004	-
Industrial	593,691	-
Governmental and institutional	2,260,898	-
Penalties	221,854	-
Special assessments	97,928	-
Operating grants	149,568	-
Reimbursements	102,395	-
Employee/employer contributions	-	7,727,910
Miscellaneous	<u>78,889</u>	<u>-</u>
Total operating receipts	<u>10,829,151</u>	<u>7,727,910</u>
Operating disbursements:		
Trash collection and disposal	6,663,286	-
Wastewater collection, treatment and disposal	18,409,005	-
Storm water collection	553,015	-
Customer accounts	639,536	-
Insurance claims and expense	-	7,292,794
Administration and general	<u>833,325</u>	<u>965,023</u>
Total operating disbursements	<u>27,098,167</u>	<u>8,257,817</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(16,269,016)</u>	<u>(529,907)</u>
Nonoperating receipts (disbursements):		
Property taxes	7,119,517	-
Intergovernmental receipts	1,550,947	-
Bond issue proceeds	4,925,000	-
SRF loan proceeds	8,500,694	-
Interest receipts	461,098	-
Other receipts	11,009	-
Debt service of principal	(1,385,190)	-
Bond issue costs	(125,500)	-
Interest disbursements	<u>(894,897)</u>	<u>-</u>
Total nonoperating receipts (disbursements)	<u>20,162,678</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	3,893,662	(529,907)
Cash and investment fund balance - beginning	<u>8,842,522</u>	<u>529,907</u>
Cash and investment fund balance - ending	<u>\$ 12,736,184</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ 5,447,572	\$ -
Restricted assets:		
Cash and investments	2,696,084	-
Cash with fiscal agent	<u>4,592,528</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 12,736,184</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
Debt service and construction	\$ 7,288,612	\$ -
Unrestricted	<u>5,447,572</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 12,736,184</u>	<u>\$ -</u>

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

CITY OF MUNCIE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 4,930,298	\$ -	\$ -
Plan members	66,840	-	-
State	3,456,946	-	-
Other	455	-	-
	8,454,539	-	-
Total contributions			
Taxes	-	573,019	-
Investment earnings:			
Interest	-	5,303	-
Transfers in	2,003,017	750	-
Agency fund additions	-	-	34,015,675
	10,457,556	579,072	34,015,675
Total additions			
Deductions:			
Benefits	6,243,441	-	-
Administrative and general	2,350,941	1,500	-
Transfers out	2,000,688	572,269	-
Agency fund deductions	-	-	31,615,644
	10,595,070	573,769	31,615,644
Total deductions			
Excess (deficiency) of total additions over total deductions	(137,514)	5,303	2,400,031
Cash and investment fund balance - beginning	1,544,306	111,168	1,248,611
Cash and investment fund balance - ending	\$ 1,406,792	\$ 116,471	\$ 3,648,642

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater and urban redevelopment and housing.

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

Primary Government: City of Muncie

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted ordinance.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The TIF central city fund is used to account for funds in accordance with Indiana Code 36-7-14-39 for redevelopment in the designated redevelopment district.

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

The private-purpose trust funds report trust arrangements under which principal and income benefit cemetery clientele and a redevelopment agency.

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007
Motor Vehicle Highway	\$ <u>620,841</u>

These disbursements were funded by unanticipated grant proceeds and State distributions not included in budget estimates.

C. Cash and Investment Balance Deficits

At December 31, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
C.D. CDBG 07	\$ 9,553
C.D. FY 97 Home Program	20,159
C.D. FY 02 Home Program	3,318
C.D. FY 04 Home Program	56,587
C.D. FY 06 Home Program	11,001
C.D. FY 07 Home Program	1,782

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cash and investment deficits arose primarily from errors made in prior years to grant drawdowns from the U.S. Department of Housing and Urban Development and the posting of those grant drawdowns to the records.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the City had the following investments:

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 5,847,982

Investment Policies

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

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2007, the City held investments in U.S. Treasuries and Securities in the amount of \$5,847,982. Of these investments \$5,847,982 were held by the counterparty's trust department or agent.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>
General Fund	Other governmental funds	\$ 39,920
TIF Central City Fund	Other governmental funds	150,000
Other governmental funds	General Fund	317,061
Other governmental funds	Other governmental funds	1,313,589
Other governmental funds	All others	3,079
All others	Other governmental funds	572,269
Other governmental funds	All others	<u>2,000,688</u>
 Total		 <u>\$ 4,396,606</u>

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Segment Information

The Muncie Sanitary District has issued revenue bonds to finance storm water drainage projects and has obtained loans from the Indiana State Revolving Loan Fund to finance improvements to the wastewater treatment facilities. Money for the loans originated from revenue bonds issued by the State of Indiana. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the wastewater and storm water functions of the Muncie Sanitary District are presented below.

Condensed Statement of Cash and Investment Net Assets	
	2007
Cash and investment assets:	
Cash and investments	\$ 1,568,415
Restricted assets	<u>7,252,612</u>
Total cash and investment assets	<u>\$ 8,821,027</u>
Cash and investment net assets:	
Restricted for:	
Debt service reserve and capital improvements	\$ 7,252,612
Unrestricted	<u>1,568,415</u>
Total cash and investment net assets	<u>\$ 8,821,027</u>

Condensed Statement of Receipts, Disbursements and Changes in Cash and Investment Net Assets	
	2007
Receipts (pledged against debt)	\$ 10,575,367
Operating disbursements	<u>(16,536,962)</u>
Deficiency of receipts over disbursements	<u>(5,961,595)</u>
Nonoperating receipts (disbursements):	
Interest received	320,245
Loan proceeds	8,500,694
Bond issue proceeds	4,925,000
Other	5,449
Debt service principal	(1,385,190)
Interest disbursed	(894,897)
Bond issue expense	(125,500)
Transfers out	<u>(1,000,000)</u>
Total nonoperating receipts (disbursements)	<u>10,345,801</u>
Excess of receipts over disbursements and nonoperating receipts	4,384,206
Beginning cash and investment net assets	<u>4,436,821</u>
Ending cash and investment net assets	<u>\$ 8,821,027</u>

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Restatements and Reclassifications

For the year ended December 31, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported December 31, 2006	Fund Reclassification	Balance as Restated January 1, 2007
Government wide	\$ 5,899,693	\$ 1,410,235	\$ 7,309,928
Governmental funds	5,369,786	1,410,235	6,780,021
Fiduciary funds - Agency funds	2,658,846	(1,410,235)	1,248,611

IV. Other Information

A. Risk Management

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

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

Job Related Illnesses or injuries to Employees

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

Medical Benefits to Employees, Retirees and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Health Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$175,000 and \$8,453,257 in aggregate per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon Cobra rates and the number of covered employees which is applied to each affected fund and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Related Party Transactions

During the period for which financial statements are presented, the City had material transactions with Sara Shade, Board of Works Member, in relation to legal fees paid to Beasley & Gilkison Attorneys, of which she is one of five partners, in the amount of \$241,291.

C. Holding Corporations

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

D. Certified Technology Park

The Certified Technology Parks program was created as a tool to support the attraction and growth of high-technology business and promote technology transfer opportunities. Designation as a Certified Tech Park allows for the local recapture of certain state and local tax revenue which can be invested in the development of the park. The Certified Tech Park was established to purchase land and other assets that are or may become eligible for depreciation for federal income tax purposes for a business incubator located in a certified technology park. The Muncie Redevelopment Commission has oversight responsibilities for the Certified Tech Park. The fund is maintained on the City's records and included disbursements of \$1,177,603 to Muncie Innovation Connector, Inc. (Corporation), and \$10,000 for earnest money for the purchase of land. The Corporation is responsible for the construction and ingoing occupation of the business incubator. Board members of the Corporation include the Community Foundation of Muncie and Delaware County, Inc., Ball State University, Cardinal Health System, Inc., Delaware Advancement Corporation, Ball Brothers Foundation, Inc., and George and Frances Ball Foundation, Inc.

E. Subsequent Events

1. Tax Anticipation Line of Credit

The City has obtained a line of credit in the amount of \$6,000,000 at an interest rate of 3.48% in anticipation of 2008 tax revenue. As of June 12, 2008, the City had borrowed \$4,100,000 against the line of credit.

2. Community Development Home Program Grant Reduction

The City has requested a grant reduction in its 2008 Home Program in the amount of \$465,634 to cover unallowable costs charged to the program in prior and current years.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Contingent Liabilities

1. Lease Agreement

The City, together with the Delaware Civic Center Authority (the Authority), has entered into a lease agreement with Muncie's EDIT Building Corporation to make lease rental payments on the Horizon Civic Center facility. On October 2, 2001, the City Council passed Ordinance 42-01 which limited the primary government's maximum annual payment to \$300,000. In 2007, the City made a payment of \$300,000.

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

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

G. Conduit Debt Obligation

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

As of December 31, 2007, there was one series of special facility economic development revenue bonds outstanding with an aggregate principal amount payable of \$605,000.

H. Postemployment Benefits

Policemen and Firefighters

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all policemen and firefighters who retire from the City on or after attaining age 60 with at least 15 years of service and age 65 with at least 10 years of service. Currently, 302 retirees meet these eligibility requirements. The City

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

and retirees provide 86% and 14%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, disbursements of \$2,309,615 were recognized for postemployment benefits.

Sanitary District Employees

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all full-time Sanitary District employees which consists of a continuation of insurance at the time of retirement of either single or family health insurance coverage from age 60 to the employee's "full retirement age" as defined by Social Security. Also, a Medicare supplement of the District's choice will be provided after the employee's "full retirement age" provided the employee has at least 15 years of service with the District. A full-time employee is also eligible for retiree insurance benefits, as stated above, if the employee's age in years plus years of service of Public Employees Retirement Fund (PERF) participation equals 85 and the employee is at least 55 years of age with at least 15 years of service with the District. Currently, 28 retirees meet these eligibility requirements. The City provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, disbursements of \$133,841 were recognized for postemployment benefits.

I. Loans Receivable – Indiana Department of Commerce

Industrial Development Revolving Loans

These loans were made to various businesses for the purposes of establishing a new business, business expansion, equipment purchases, and creating additional jobs. During the year 2007 no new loans were issued and principal payments received on loans totaled \$303,655. The total balance of loans outstanding at December 31, 2007, was \$3,209,662.

J. Rate Structure – Enterprise Funds

Sanitary District

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

The current rate structure for the Storm Water Utility was approved by the Board of Sanitary Commissioners on December 19, 2006.

K. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries.

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

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

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

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

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

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

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

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

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 580,078	\$ 2,676,500	\$ 2,858,500
Interest on net pension obligation	8,378	133,500	331,800
Adjustment to annual required contribution	<u>(9,548)</u>	<u>(166,000)</u>	<u>(412,400)</u>
Annual pension cost	578,908	2,644,000	2,777,900
Contributions made	<u>468,865</u>	<u>4,395,498</u>	<u>4,674,714</u>
Increase (decrease) in net pension obligation	110,043	(1,751,498)	(1,896,814)
Net pension obligation, beginning of year	<u>115,563</u>	<u>2,225,778</u>	<u>5,530,378</u>
Net pension obligation, end of year	<u>\$ 225,606</u>	<u>\$ 474,280</u>	<u>\$ 3,633,564</u>

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5.75%	3149%	611%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-07	01-01-07	01-01-07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

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

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 456,104	98%	\$ (51,300)
	06-30-06	595,313	72%	115,563
	06-30-07	578,908	81%	225,606
1925 Police Officers' Pension Plan	12-31-05	2,630,100	111%	3,138,870
	12-31-06	2,668,700	134%	2,225,778
	12-31-07	2,644,000	166%	474,280
1937 Firefighters' Pension Plan	12-31-05	2,945,900	117%	6,021,943
	12-31-06	3,060,900	116%	5,530,378
	12-31-07	2,777,900	168%	3,633,564

CITY OF MUNCIE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	122	125
Current active employees	1	14

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$1,852,975, \$1,795,750, and \$1,735,507, respectively, equal to the required contributions for each year.

CITY OF MUNCIE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 10,947,756	\$ 12,882,404	\$ (1,934,648)	85%	\$ 9,322,801	(21%)
07-01-06	11,470,521	12,582,526	(1,112,005)	91%	8,853,403	(13%)
07-01-07	12,531,938	13,594,756	(1,062,818)	92%	8,963,913	(12%)

1925 Police Officer's Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 1,998,726	\$ 40,446,200	\$ (38,447,474)	5%	\$ 364,900	(10,536%)
01-01-03	1,826,659	39,033,500	(37,206,841)	5%	488,500	(7,617%)
01-01-04	866,963	38,410,200	(37,543,237)	2%	232,200	(16,168%)
01-01-05	1,141,596	37,038,100	(35,896,504)	3%	199,400	(18,002%)
01-01-06	709,400	37,274,500	(36,565,100)	2%	163,900	(22,309%)
01-01-07	228,142	36,623,600	(36,395,458)	1%	85,000	(42,818%)

1937 Firefighters' Officer's Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 2,003,330	\$ 42,438,300	\$ (40,434,970)	5%	\$ 1,204,000	(3,358%)
01-01-03	2,158,285	41,964,700	(39,806,415)	5%	1,428,000	(2,788%)
01-01-04	1,045,651	42,225,500	(41,179,849)	2%	1,122,500	(3,669%)
01-01-05	726,383	39,111,300	(38,384,917)	2%	877,100	(4,376%)
01-01-06	837,043	40,722,200	(39,885,157)	2%	778,400	(5,124%)
01-01-07	-	37,511,600	(37,511,600)	0%	467,700	(8,020%)

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

1925 Police Officers' Pension Plan				
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-02	\$ 4,316,500	*	*
	12-31-03	4,322,700	*	*
	12-31-04	4,444,700	44%	33%
	12-31-05	2,673,600	54%	56%
	12-31-06	2,711,400	63%	69%
	12-31-07	2,676,500	103%	61%
1937 Firefighters' Pension Plan	12-31-02	\$ 4,716,800	*	*
	12-31-03	4,998,800	*	*
	12-31-04	5,117,500	26%	26%
	12-31-05	3,028,700	59%	55%
	12-31-06	3,142,700	47%	66%
	12-31-07	2,858,500	77%	87%

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

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Cemetery Operating	Parking Meter	Probation	Economic Development Operating	Clerk's Records Perpetuation
Receipts:							
Taxes	\$ -	\$ -	\$ 298,108	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	2,753,557	603,383	19,917	-	-	-	-
Charges for services	3,480	-	107,553	19,146	-	-	-
Fines and forfeits	80,976	-	-	-	280	-	8,560
Other	5,843	-	-	-	-	1,750	-
Total receipts	2,843,856	603,383	425,578	19,146	280	1,750	8,560
Disbursements:							
General government	-	-	450,579	-	-	-	7,395
Public safety	-	-	-	38	-	-	-
Highways and streets	3,103,044	412,577	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	23,469	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	40,242	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	3,143,286	412,577	474,048	38	-	-	7,395
Excess (deficiency) of receipts over disbursements	(299,430)	190,806	(48,470)	19,108	280	1,750	1,165
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	29,304	23,726	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	35,747	-	10,543	-	-	-	-
Total other financing sources (uses)	35,747	29,304	34,269	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(263,683)	220,110	(14,201)	19,108	280	1,750	1,165
Cash and investment fund balance - beginning	362,300	81,534	29,801	32,800	29,271	28,119	41,833
Cash and investment fund balance - ending	<u>\$ 98,617</u>	<u>\$ 301,644</u>	<u>\$ 15,600</u>	<u>\$ 51,908</u>	<u>\$ 29,551</u>	<u>\$ 29,869</u>	<u>\$ 42,998</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 15,600	\$ 51,908	\$ 29,551	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	98,617	301,644	-	-	-	29,869	42,998
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 98,617</u>	<u>\$ 301,644</u>	<u>\$ 15,600</u>	<u>\$ 51,908</u>	<u>\$ 29,551</u>	<u>\$ 29,869</u>	<u>\$ 42,998</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,998
Public safety	-	-	-	-	-	-	-
Highways and streets	98,617	301,644	-	-	-	-	-
Economic development	-	-	-	-	-	29,869	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	-	-	15,600	51,908	29,551	-	-
Total cash and investment fund balance - ending	<u>\$ 98,617</u>	<u>\$ 301,644</u>	<u>\$ 15,600</u>	<u>\$ 51,908</u>	<u>\$ 29,551</u>	<u>\$ 29,869</u>	<u>\$ 42,998</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Parks and Recreation	Levy Excess	Operation Pullover	Drug Task Force	Drug Task Force 2	Park Nonreverting	Bert Whitely
Receipts:							
Taxes	\$ 848,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	56,685	-	42,500	27,450	64,736	-	-
Charges for services	476,477	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	4,274	-	-	-	-	4,870	2,939
Total receipts	1,385,903	-	42,500	27,450	64,736	4,870	2,939
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	27,507	58,707	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	1,349,246	-	-	-	-	17,434	208
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	15,147	-	-	-	-	-	-
Total disbursements	1,364,393	-	-	27,507	58,707	17,434	208
Excess (deficiency) of receipts over disbursements	21,510	-	42,500	(57)	6,029	(12,564)	2,731
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	718	-	-	-	-	19,100	-
Transfers out	(19,100)	(15,505)	(42,590)	-	(6,029)	-	-
Other receipts	7,836	-	-	-	-	-	-
Total other financing sources (uses)	(10,546)	(15,505)	(42,590)	-	(6,029)	19,100	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,964	(15,505)	(90)	(57)	-	6,536	2,731
Cash and investment fund balance - beginning	217,140	15,505	90	57	-	10,061	5,308
Cash and investment fund balance - ending	\$ 228,104	\$ -	\$ -	\$ -	\$ -	\$ 16,597	\$ 8,039
Cash and Investment Assets - Ending							
Cash and investments	\$ 228,104	\$ -	\$ -	\$ -	\$ -	\$ 16,597	\$ 8,039
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 228,104	\$ -	\$ -	\$ -	\$ -	\$ 16,597	\$ 8,039
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	228,104	-	-	-	-	16,597	8,039
Total cash and investment fund balance - ending	\$ 228,104	\$ -	\$ -	\$ -	\$ -	\$ 16,597	\$ 8,039

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Way Finding Signs	Cumulative Building and Maintenance	M.P.D. Smart Team	M.P.D. Swat Team	M.P.D. Gov. Council Equipment	M.P.D. Drug Interdiction	M.P.D. Bullet Proof Vests Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	34,468	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	8,783	-	-	-	51,461	-
Total receipts	-	43,251	-	-	-	51,461	-
Disbursements:							
General government	10,800	26,658	-	-	-	-	-
Public safety	-	-	-	-	-	50,360	12,988
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	10,800	26,658	-	-	-	50,360	12,988
Excess (deficiency) of receipts over disbursements	(10,800)	16,593	-	-	-	1,101	(12,988)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	430	-
Total other financing sources (uses)	-	-	-	-	-	430	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,800)	16,593	-	-	-	1,531	(12,988)
Cash and investment fund balance - beginning	10,800	87,554	46	141	9,906	643	13,900
Cash and investment fund balance - ending	\$ -	\$ 104,147	\$ 46	\$ 141	\$ 9,906	\$ 2,174	\$ 912
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 104,147	\$ 46	\$ 141	\$ -	\$ 2,174	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	9,906	-	912
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 104,147	\$ 46	\$ 141	\$ 9,906	\$ 2,174	\$ 912
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	9,906	-	912
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	-	104,147	46	141	-	2,174	-
Total cash and investment fund balance - ending	\$ -	\$ 104,147	\$ 46	\$ 141	\$ 9,906	\$ 2,174	\$ 912

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	M.P.D. Drug Task Force Forfeiture	D.T.F. Confiscated Funds	M.P.D. Uniform Forfeiture	M.P.D. Honor Gurard Donation	M.P.D. Dare	M.P.D. K-9	M.P.D. Traffic Division
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	116,431	37,453	-	-	-	-	5,188
Total receipts	116,431	37,453	-	-	-	-	5,188
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	159,866	-	-	-	-	70	5,118
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	159,866	-	-	-	-	70	5,118
Excess (deficiency) of receipts over disbursements	(43,435)	37,453	-	-	-	(70)	70
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	43,482	-	-	-	-	-	-
Transfers out	-	(37,453)	-	-	-	-	-
Other receipts	1,076	-	-	-	-	-	-
Total other financing sources (uses)	44,558	(37,453)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,123	-	-	-	-	(70)	70
Cash and investment fund balance - beginning	63,648	-	300	114	6,127	4,705	-
Cash and investment fund balance - ending	\$ 64,771	\$ -	\$ 300	\$ 114	\$ 6,127	\$ 4,635	\$ 70
Cash and Investment Assets - Ending							
Cash and investments	\$ 64,771	\$ -	\$ 300	\$ 114	\$ 6,127	\$ 4,635	\$ 70
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 64,771	\$ -	\$ 300	\$ 114	\$ 6,127	\$ 4,635	\$ 70
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	64,771	-	300	114	6,127	4,635	70
Total cash and investment fund balance - ending	\$ 64,771	\$ -	\$ 300	\$ 114	\$ 6,127	\$ 4,635	\$ 70

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Police Arson Investigation	M.P.D. Cops Cold Case	Police Training	Law Enforcement Continuing Education	M.P.D. Emergency Gas Award	Fire Safety And Equipment	Fire Department Donations
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	14,570	-	-	-
Intergovernmental	-	5,000	-	-	-	218,084	-
Charges for services	-	-	27,428	34,475	-	-	-
Fines and forfeits	-	-	39,471	8,619	-	-	-
Other	-	-	393	-	-	-	20,000
Total receipts	-	5,000	67,292	57,664	-	218,084	20,000
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	77,633	89,834	-	-	83,224
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	29,378	-	-	272,605	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	-	107,011	89,834	-	272,605	83,224
Excess (deficiency) of receipts over disbursements	-	5,000	(39,719)	(32,170)	-	(54,521)	(63,224)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	54,521	-
Transfers out	-	(7,063)	-	-	-	-	-
Other receipts	-	-	-	490	-	-	-
Total other financing sources (uses)	-	(7,063)	-	490	-	54,521	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,063)	(39,719)	(31,680)	-	-	(63,224)
Cash and investment fund balance - beginning	1,712	3,001	105,283	79,037	8,000	-	73,105
Cash and investment fund balance - ending	<u>\$ 1,712</u>	<u>\$ 938</u>	<u>\$ 65,564</u>	<u>\$ 47,357</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 9,881</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,712	\$ -	\$ 65,564	\$ -	\$ -	\$ -	\$ 9,881
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	938	-	47,357	8,000	-	-
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,712</u>	<u>\$ 938</u>	<u>\$ 65,564</u>	<u>\$ 47,357</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 9,881</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	938	-	47,357	8,000	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	1,712	-	65,564	-	-	-	9,881
Total cash and investment fund balance - ending	<u>\$ 1,712</u>	<u>\$ 938</u>	<u>\$ 65,564</u>	<u>\$ 47,357</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 9,881</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Smoke Alarm For Life	Mun-Del Haz-Mat Team	IRIS Camera Donation	Animal Shelter Donation	C.D. CDBG 04	C.D. CDBG 05	C.D. CDBG 06
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	76,603	43,278	673,020
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	7,283	-	-	11,382
Total receipts	-	-	-	7,283	76,603	43,278	684,402
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	10,877	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	76,604	54,035	643,946
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	-	-	10,877	76,604	54,035	643,946
Excess (deficiency) of receipts over disbursements	-	-	-	(3,594)	(1)	(10,757)	40,456
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(29,304)
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(29,304)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(3,594)	(1)	(10,757)	11,152
Cash and investment fund balance - beginning	630	171	2,783	19,982	1,159	12,250	(8,010)
Cash and investment fund balance - ending	<u>\$ 630</u>	<u>\$ 171</u>	<u>\$ 2,783</u>	<u>\$ 16,388</u>	<u>\$ 1,158</u>	<u>\$ 1,493</u>	<u>\$ 3,142</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 630	\$ 171	\$ 2,783	\$ 16,388	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	1,158	1,493	3,142
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 630</u>	<u>\$ 171</u>	<u>\$ 2,783</u>	<u>\$ 16,388</u>	<u>\$ 1,158</u>	<u>\$ 1,493</u>	<u>\$ 3,142</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	1,158	1,493	3,142
Debt service	-	-	-	-	-	-	-
Unrestricted	630	171	2,783	16,388	-	-	-
Total cash and investment fund balance - ending	<u>\$ 630</u>	<u>\$ 171</u>	<u>\$ 2,783</u>	<u>\$ 16,388</u>	<u>\$ 1,158</u>	<u>\$ 1,493</u>	<u>\$ 3,142</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	C.D. CDBG 07	C.D. FY 97 Home Program	C.D. FY 02 Home Program	C.D. FY 03 Home Program	C.D. FY 04 Home Program	C.D. FY 05 Home Program	C.D. FY 06 Home Program
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	429,696	-	-	8,176	-	194,983	44,958
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	887	70	-	583,201
Total receipts	429,696	-	-	9,063	70	194,983	628,159
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	241,249	-	3,318	-	48,748	465,881	696,319
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	241,249	-	3,318	-	48,748	465,881	696,319
Excess (deficiency) of receipts over disbursements	188,447	-	(3,318)	9,063	(48,678)	(270,898)	(68,160)
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(198,000)	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	(198,000)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,553)	-	(3,318)	9,063	(48,678)	(270,898)	(68,160)
Cash and investment fund balance - beginning	-	(20,159)	-	-	(7,909)	330,151	57,159
Cash and investment fund balance - ending	<u>\$ (9,553)</u>	<u>\$ (20,159)</u>	<u>\$ (3,318)</u>	<u>\$ 9,063</u>	<u>\$ (56,587)</u>	<u>\$ 59,253</u>	<u>\$ (11,001)</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	(9,553)	(20,159)	(3,318)	9,063	(56,587)	59,253	(11,001)
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (9,553)</u>	<u>\$ (20,159)</u>	<u>\$ (3,318)</u>	<u>\$ 9,063</u>	<u>\$ (56,587)</u>	<u>\$ 59,253</u>	<u>\$ (11,001)</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	(9,553)	(20,159)	(3,318)	9,063	(56,587)	59,253	(11,001)
Debt service	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ (9,553)</u>	<u>\$ (20,159)</u>	<u>\$ (3,318)</u>	<u>\$ 9,063</u>	<u>\$ (56,587)</u>	<u>\$ 59,253</u>	<u>\$ (11,001)</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	C.D. FY 07 Home Program	Rails To Trails	Environmental Enhancement	Victim Advocate 06-07	Victim Advocate 07-08	A Better Way 06-07	A Better Way 07-08
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	40,299	-	-	19,083	28,625	57,567	49,811
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	62,652	11,002	33,250	6,600	-	-
Total receipts	40,299	62,652	11,002	52,333	35,225	57,567	49,811
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	43,124	36,083	57,567	39,061
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	62,652	-	-	-	-	-
Urban redevelopment and housing	42,081	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	42,081	62,652	-	43,124	36,083	57,567	39,061
Excess (deficiency) of receipts over disbursements	(1,782)	-	11,002	9,209	(858)	-	10,750
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Transfers in	-	-	-	-	17,848	-	-
Transfers out	-	-	-	(17,848)	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(17,848)	17,848	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,782)	-	11,002	(8,639)	16,990	-	10,750
Cash and investment fund balance - beginning	-	-	212,036	8,639	-	-	-
Cash and investment fund balance - ending	<u>\$ (1,782)</u>	<u>\$ -</u>	<u>\$ 223,038</u>	<u>\$ -</u>	<u>\$ 16,990</u>	<u>\$ -</u>	<u>\$ 10,750</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 223,038	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments	(1,782)	-	-	-	16,990	-	10,750
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (1,782)</u>	<u>\$ -</u>	<u>\$ 223,038</u>	<u>\$ -</u>	<u>\$ 16,990</u>	<u>\$ -</u>	<u>\$ 10,750</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	16,990	-	10,750
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	(1,782)	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	-	-	223,038	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ (1,782)</u>	<u>\$ -</u>	<u>\$ 223,038</u>	<u>\$ -</u>	<u>\$ 16,990</u>	<u>\$ -</u>	<u>\$ 10,750</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	M.P.D. Stop Domestic Violence 06-07	Seat Belt Grant 07-08	M.P.D. DUI Grant 2006-2007	M.P.D. DUI Grant 2007-2008	M.P.D. Speed Grant	M.P.D. Fatality Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	29,886	10,000	34,500	10,500	-	6,000
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	1,000	-	-	-	-	-
Total receipts	30,886	10,000	34,500	10,500	-	6,000
Disbursements:						
General government	-	-	-	-	-	-
Public safety	30,089	-	28,052	4,550	-	1,400
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	30,089	-	28,052	4,550	-	1,400
Excess (deficiency) of receipts over disbursements	797	10,000	6,448	5,950	-	4,600
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(2,590)	(13,938)	(2,310)	-	-
Other receipts	26	-	-	-	-	-
Total other financing sources (uses)	26	(2,590)	(13,938)	(2,310)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	823	7,410	(7,490)	3,640	-	4,600
Cash and investment fund balance - beginning	-	-	7,490	-	115	-
Cash and investment fund balance - ending	\$ 823	\$ 7,410	\$ -	\$ 3,640	\$ 115	\$ 4,600
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Restricted assets:						
Cash and investments	823	7,410	-	3,640	115	4,600
Cash with fiscal agent	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 823	\$ 7,410	\$ -	\$ 3,640	\$ 115	\$ 4,600
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	823	7,410	-	3,640	115	4,600
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 823	\$ 7,410	\$ -	\$ 3,640	\$ 115	\$ 4,600

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	M.P.D. JAG Grant	M.P.D. JAG 2006 Grant	C.D. Grants Other	Alarm Ordinance	Redevelopment Tech Park	Redevelopment Commission
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 971,870	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	28,741	11,000	-	20	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	2,770	-	-
Other	1,086	-	906	-	50,756	50,264
Total receipts	1,086	28,741	11,906	2,770	1,022,646	50,264
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	14,000	-	17,679	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	1,187,603	90,675
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	9,337	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	14,000	9,337	17,679	1,187,603	90,675
Excess (deficiency) of receipts over disbursements	1,086	14,741	2,569	(14,909)	(164,957)	(40,411)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	259,091
Transfers out	-	-	-	-	-	(198,000)
Other receipts	-	-	-	82	-	-
Total other financing sources (uses)	-	-	-	82	-	61,091
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,086	14,741	2,569	(14,827)	(164,957)	20,680
Cash and investment fund balance - beginning	20,933	-	-	17,441	765,809	66,164
Cash and investment fund balance - ending	\$ 22,019	\$ 14,741	\$ 2,569	\$ 2,614	\$ 600,852	\$ 86,844
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ 2,614	\$ 600,852	\$ -
Cash with fiscal agent	-	-	-	-	-	86,844
Restricted assets:						
Cash and investments	22,019	14,741	2,569	-	-	-
Cash with fiscal agent	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 22,019	\$ 14,741	\$ 2,569	\$ 2,614	\$ 600,852	\$ 86,844
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	22,019	14,741	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	2,569	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unrestricted	-	-	-	2,614	600,852	86,844
Total cash and investment fund balance - ending	\$ 22,019	\$ 14,741	\$ 2,569	\$ 2,614	\$ 600,852	\$ 86,844

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Redevelopment Commission Other Projects	Economic Income Tax Revenue Bonds 06	City Bond General	MVH Principal Interest	Redevelopment Commission I and P Series A	Redevelopment Commission I and P Series B
Receipts:						
Taxes	\$ -	\$ -	\$ 33,518	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	2,239	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	31,689	36	-	-	960	1,266
Total receipts	31,689	36	35,757	-	960	1,266
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	149,055	5,500,035	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	135,000	340,000	430,000
Interest	-	-	52,530	15,251	116,632	145,468
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	149,055	5,500,035	52,530	150,251	456,632	575,468
Excess (deficiency) of receipts over disbursements	(117,366)	(5,499,999)	(16,773)	(150,251)	(455,672)	(574,202)
Other financing sources (uses):						
Bond proceeds	-	5,500,000	-	-	-	-
Transfers in	57,302	-	40,390	153,078	452,856	576,362
Transfers out	(515,000)	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	(457,698)	5,500,000	40,390	153,078	452,856	576,362
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(575,064)	1	23,617	2,827	(2,816)	2,160
Cash and investment fund balance - beginning	781,430	-	-	1	2,967	2,240
Cash and investment fund balance - ending	\$ 206,366	\$ 1	\$ 23,617	\$ 2,828	\$ 151	\$ 4,400
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent	206,366	-	-	-	-	-
Restricted assets:						
Cash and investments	-	-	23,617	2,828	-	-
Cash with fiscal agent	-	1	-	-	151	4,400
Total cash and investment assets - ending	\$ 206,366	\$ 1	\$ 23,617	\$ 2,828	\$ 151	\$ 4,400
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	-	-	23,617	2,828	151	4,400
Unrestricted	206,366	1	-	-	-	-
Total cash and investment fund balance - ending	\$ 206,366	\$ 1	\$ 23,617	\$ 2,828	\$ 151	\$ 4,400

CITY OF MUNCIE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Redevelopment Commission Façade Restoration	Cumulative Capital Improvement	E.D.I.T.	Urban Development	Beech Grove Cemetery Thompson Trust	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,151,963
Licenses and permits	-	-	-	-	-	14,570
Intergovernmental	-	236,840	1,787,588	492,656	-	8,107,381
Charges for services	-	-	-	-	-	703,027
Fines and forfeits	-	-	-	-	-	140,676
Other	5,791	-	10,410	-	1,192	1,131,068
Total receipts	5,791	236,840	1,797,998	492,656	1,192	12,248,685
Disbursements:						
General government	-	-	-	-	-	495,432
Public safety	-	-	-	-	-	836,950
Highways and streets	-	-	-	-	-	3,515,621
Health and welfare	-	-	-	-	-	10,877
Economic development	-	-	1,692,950	464,236	-	9,084,554
Culture and recreation	-	-	-	-	-	1,429,540
Urban redevelopment and housing	-	-	-	-	-	2,281,518
Debt service:						
Principal	140,000	-	-	-	-	1,045,000
Interest	94,072	-	-	-	-	423,953
Capital outlay:						
General government	-	-	-	-	-	23,469
Public safety	-	-	-	-	-	301,983
Highways and streets	-	-	-	-	-	40,242
Economic development	-	-	309,166	-	-	309,166
Culture and recreation	-	-	-	-	-	15,147
Total disbursements	234,072	-	2,002,116	464,236	-	19,813,452
Excess (deficiency) of receipts over disbursements	(228,281)	236,840	(204,118)	28,420	1,192	(7,564,767)
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	5,500,000
Transfers in	198,000	-	150,000	-	-	2,075,778
Transfers out	-	(236,840)	(268,690)	-	(23,469)	(1,633,729)
Other receipts	-	-	72,246	-	-	128,476
Total other financing sources (uses)	198,000	(236,840)	(46,444)	-	(23,469)	6,070,525
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(30,281)	-	(250,562)	28,420	(22,277)	(1,494,242)
Cash and investment fund balance - beginning	204,067	-	513,678	-	31,566	4,344,624
Cash and investment fund balance - ending	\$ 173,786	\$ -	\$ 263,116	\$ 28,420	\$ 9,289	\$ 2,850,382
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 263,116	\$ -	\$ -	\$ 1,719,073
Cash with fiscal agent	-	-	-	-	-	293,210
Restricted assets:						
Cash and investments	-	-	-	28,420	9,289	659,761
Cash with fiscal agent	173,786	-	-	-	-	178,338
Total cash and investment assets - ending	\$ 173,786	\$ -	\$ 263,116	\$ 28,420	\$ 9,289	\$ 2,850,382
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 9,289	\$ 52,287
Public safety	-	-	-	-	-	148,201
Highways and streets	-	-	-	-	-	400,261
Economic development	-	-	-	28,420	-	60,858
Urban redevelopment and housing	-	-	-	-	-	(28,291)
Debt service	173,786	-	-	-	-	204,782
Unrestricted	-	-	263,116	-	-	2,012,284
Total cash and investment fund balance - ending	\$ 173,786	\$ -	\$ 263,116	\$ 28,420	\$ 9,289	\$ 2,850,382

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	Police Pension	Fire Pension	Transfer Pension Drop	Old Plan Pension Relief (Police)	Old Plan Pension Relief (Fire)	Totals
Additions:						
Contributions:						
Employer	\$ 2,748,270	\$ 2,182,028	\$ -	\$ -	\$ -	\$ 4,930,298
Plan members	38,017	28,823	-	-	-	66,840
State	1,647,229	1,809,717	-	-	-	3,456,946
Other	-	455	-	-	-	455
Total contributions	4,433,516	4,021,023	-	-	-	8,454,539
Transfers in	1,053	685,800	1,316,164	-	-	2,003,017
Total additions	4,434,569	4,706,823	1,316,164	-	-	10,457,556
Deductions:						
Benefits	2,564,486	3,678,955	-	-	-	6,243,441
Administrative and general	1,323,073	1,027,868	-	-	-	2,350,941
Transfers out	-	-	684,524	876,245	439,919	2,000,688
Total deductions	3,887,559	4,706,823	684,524	876,245	439,919	10,595,070
Excess (deficiency) of total additions over total deductions	547,010	-	631,640	(876,245)	(439,919)	(137,514)
Cash and investment fund balance - beginning	228,142	-	-	876,245	439,919	1,544,306
Cash and investment fund balance - ending	\$ 775,152	\$ -	\$ 631,640	\$ -	\$ -	\$ 1,406,792

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2007

	Beech Grove Cemetery Trust	Beech Grove Cemetery Grace Maring	Beech Grove Hardin Roads Trust	Redevelopment Commission Allocation	Totals
Additions:					
Taxes	\$ -	\$ -	\$ -	\$ 573,019	\$ 573,019
Transfers in	-	-	-	750	750
Investment earnings:					
Interest	<u>1,531</u>	<u>2,435</u>	<u>1,317</u>	<u>20</u>	<u>5,303</u>
Total additions	<u>1,531</u>	<u>2,435</u>	<u>1,317</u>	<u>573,789</u>	<u>579,072</u>
Deductions:					
Administrative and general	-	-	-	1,500	1,500
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,269</u>	<u>572,269</u>
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,769</u>	<u>573,769</u>
Excess of total additions over total deductions	1,531	2,435	1,317	20	5,303
Cash and investment fund balance - beginning	<u>32,184</u>	<u>51,164</u>	<u>27,682</u>	<u>138</u>	<u>111,168</u>
Cash and investment fund balance - ending	<u>\$ 33,715</u>	<u>\$ 53,599</u>	<u>\$ 28,999</u>	<u>\$ 158</u>	<u>\$ 116,471</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	Payroll	Insurance Other	Beech Grove Cemetery Pre-Need	User Fee Law Enforcement Education	Collection Agency Parking Violations	Security Deposits
Additions:						
Agency fund additions	\$ 29,683,696	\$ 55,005	\$ 6,015	\$ 12,810	\$ 1,178	\$ -
Deductions:						
Agency fund deductions	29,673,684	-	3,835	11,718	1,238	-
Excess (deficiency) of total additions over total deductions	10,012	55,005	2,180	1,092	(60)	-
Cash and investment fund balance - beginning	410,486	-	113,021	39,116	115	3,300
Cash and investment fund balance - ending	<u>\$ 420,498</u>	<u>\$ 55,005</u>	<u>\$ 115,201</u>	<u>\$ 40,208</u>	<u>\$ 55</u>	<u>\$ 3,300</u>

CITY OF MUNCIE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	TIF Muncie Mall	Court Costs Due County	City Court	Park Damage Deposit Refund Account	Totals
Additions:					
Agency fund additions	\$ 2,901,943	\$ 79,050	\$ 1,257,658	\$ 18,320	\$ 34,015,675
Deductions:					
Agency fund deductions	573,019	79,050	1,253,955	19,145	31,615,644
Excess (deficiency) of total additions over total deductions	2,328,924	-	3,703	(825)	2,400,031
Cash and investment fund balance - beginning	573,019	-	107,049	2,505	1,248,611
Cash and investment fund balance - ending	<u>\$ 2,901,943</u>	<u>\$ -</u>	<u>\$ 110,752</u>	<u>\$ 1,680</u>	<u>\$ 3,648,642</u>

CITY OF MUNCIE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,693,100
Infrastructure	16,483,280
Buildings	30,909,219
Improvements other than buildings	5,318,657
Machinery and equipment	<u>8,984,772</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 64,389,028</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Sanitary District	
Capital assets, not being depreciated:	
Land	\$ 255,670
Buildings	9,393,770
Improvements other than buildings	24,598,139
Machinery and equipment	<u>13,874,542</u>
 Total business-type activities capital assets	 <u>48,122,121</u>

CITY OF MUNCIE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Two Dump Trucks	\$ 73,744	\$ 31,384
Street Sweeper	38,548	40,243
2005 Ford Expedition	16,343	7,586
2005 Chevrolet Tahoe	17,734	8,134
2008 Chevrolet Suburban	26,464	7,167
2008 Chevrolet Tahoe	26,700	7,231
Bonds payable:		
General obligation bonds:		
MVH Bonds	145,000	151,835
Downtown Façade Restoration Bonds	985,000	206,563
Revenue bonds:		
Series A TIF Bonds	1,297,599	147,570
Series B TIF Bonds	1,614,670	184,850
TIF Economic Development Bonds of 2007	5,500,000	430,021
Total governmental activities debt	\$ 9,741,802	\$ 1,222,584
Business-type Activities:		
Sanitary District		
Capital leases:		
Case Wheel Loader	\$ 37,297	\$ 20,547
Terex Rough Terrain Crane	70,561	39,446
Revenue bonds:		
Storm Water Bonds of 2007	5,000,000	359,998
State Revolving Fund Loans		
Loan No. CS182310 01	12,085,000	1,030,535
Loan No. WW06121802	15,226,502	*
Total Business-Type Activities	32,419,360	1,450,526

* A maximum draw of \$17,960,000 was approved for this loan. As of December 31, 2007, \$15,895,502 had been drawn and \$669,000 had been repaid. Annual debt service requirements for the loan will not be determined until the final draw down has been made on the loan.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS

TAX INCREMENT FINANCING (TIF) DISBURSEMENTS

Disbursements from the TIF Central City Fund, which is maintained on the City's records, were not for allowable purposes.

A transfer of \$150,000 was made to the EDIT Fund for funding of the roundabout project. No expenses had been incurred by the City at the time of the transfer.

A disbursement of \$1,080 was paid for accounting services.

A payment of \$12,600 was approved by the Muncie Redevelopment Commission Board for the installation of a drain from the new construction project at Walnut and Howard Streets to the sanitary sewer line. The May 3, 2007, board minutes stated in part: ". . . the developer typically pays for hookups to the storm sewers in the City . . . the contractor said that the sewer connection construction wasn't in their scope of work for the building and that it was separate and that the building owners hadn't budgeted for this extra cost."

Indiana Code 36-7-14-39(b)(2) states in part: "Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following: (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area. (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area. (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter. (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements in or serving that allocation area. (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area. (F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter. (G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) in or serving that allocation area. (H) Reimburse the unit for rentals paid by it for a building or parking facility in or serving that allocation area under any lease entered into under IC 36-1-10. (I) Pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission."

RECEIPT OF SEIZED/CONFISCATED PROPERTY

As noted in prior Report Numbers B14766, B16971, B19302, B21583, B23897, B25557, B27632, B30391 and during the current audit period, money seized by the Muncie Police Department and Muncie-Delaware County Drug Task Force under Indiana Code 34-4-30.1 was receipted to the M.P.D. Drug Interdiction Fund (Fund 227) and the M.P.D. Drug Task Force Forfeiture Fund (Fund 231). The Court Orders ordered the money to be receipted to the City of Muncie General Fund, Account 231-204-39071. The account number stated is a separate fund and not a receipt account within the City General Fund. No proceeds from seized property were receipted to the City General Fund.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

The Muncie-Delaware County Drug Task Force has also maintained a separate checking account. No deposits were made to the checking account in 2007. Monthly bank reconciliements were not performed. The checking account was closed out on November 13, 2007, and the balance in the account was remitted to the Controller's office. These proceeds were receipted to the M.P.D. Drug Task Force Forfeiture Fund.

Disbursements from the checking account were for such things as: (1) donations to Indiana Bulls Baseball (\$1,350), Muncie Pirates (\$1,000), Ball State University football (\$2,000); (2) supplies, vests, etc; (3) computer; (4) attorney fees; (5) carpet for the Prosecutor's office (\$428); (6) drinks for the gym; (7) weapons; and (8) funds distributed to the Delaware County Sheriff's Office for canine expenses.

Disbursements from Fund 231, MPD Drug Task Force Forfeiture fund, were for such things as: (1) attorney payments to Deputy Prosecutor and Prosecutor for civil work on prior year cases (\$14,677); (2) utility payments; (3) vehicle maintenance; (4) donation to Muncie Boy's and Girl's Club (\$1,000); (5) advertisement for the Drug Task Force in the yellow book (\$935); (6) capital and operating lease payments for vehicles; (7) supplies; (8) conferences; (9) computers; (10) office rent; (11) carpet for Delaware County Fair Queen stage (\$490); (12) down payment and one loan payment on the purchase of two vehicles (\$31,199); (13) travel expenses for the widow of a policeman killed in the line of duty to view the execution of the convicted killer; and (14) pay off of the loan balance of a seized vehicle (\$17,873) which will be sold at auction in the future.

Disbursements from Fund 227, MPD Drug Interdiction fund, were for such things as (1) attorney payments to Deputy Prosecutor for civil work on prior year cases (\$4,736); (2) gym expenses including supplies, mirrors, equipment, 50" plasma television, maintenance, etc. (\$21,428); (3) conferences; (4) computers; (5) supplies; (6) donation to Muncie Boy's and Girl's Club (\$1,000); (7) personal trainer for "Boot Camp Training" for officers of the Muncie Police Department (\$4,294); (8) travel expenses for the widow of a policeman killed in the line of duty to view the execution of the convicted killer; and (9) equipment. This fund is funded by forfeitures from seizures made by the uniform police officers.

The Federal Government considers a portion of asset seizures and forfeitures program income. Program income was not receipted to the grant funds, but was instead receipted to the M.P.D. Drug Task Force Forfeiture Fund. This made it difficult to determine if program income was used for program objectives.

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

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

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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

The Grant Agreement with the Indiana Criminal Justice Institute states in part: "The Grantee shall comply with all applicable federal, state and local laws, rules, regulations and ordinances, and all provisions required thereby to be included herein are hereby incorporated by reference."

OJP-Financial Guide-Part III-Chapter 4: Program Income states in part: "Program income may be used to further program objective or may be refunded to the Federal Government. Program income may only be used for allowable program costs and must be expended prior to additional OJP drawdowns . . . The federal portion of program income must be accounted for up to the same ratio of Federal participation as funded in the project or program."

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

NO DETAILED TIME CARDS FOR DUAL EMPLOYMENT

A City Police Officer was also employed as a Deferral Clerk by Delaware County. Detailed time cards were not maintained for either governmental unit.

Indiana Code 5-11-9-4(b) states: "(b) The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: (1) covered by section 1 or 2 of this chapter; and (2) employed by more than one (1) public agency or in more than one (1) position by the same public agency described in section 1 or 2 of this chapter."

CONTRACTS

The following services were provided, and related disbursements were made, without a contract:

1. Muncie Police Department Officers accompanied the Ball State University football team to games outside the city. There was no written contract to support the services provided. There were eight football games outside the City limits. Records obtained from Ball State University indicated that one officer attended three of the games and two officers attended four of the games. Records for one game did not indicate the specific officers attending, only that "security" occupied the hotel room. A comparison of Ball State University records to the City of Muncie payroll records indicated 72 hours were erroneously noted as being worked when, actually, these officers were accompanying the Ball State football team to games outside the city. Payroll disbursements, excluding benefits, for these 72 hours totaled \$1,517.
2. During 2007, concessions at Prairie Creek Park were run by an outside contractor who agreed to remit ten percent of gross revenue earned on the concessions to the City. No contract or detailed accounting of the contractor's gross revenue was available for audit. Also, nothing was noted in the Park Board meeting minutes about entering into a contract for Prairie Creek Park concession service.

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

3. During 2007, payments for the cleaning of City Hall totaling \$38,200 were made without a contract.
4. During 2007, payments for consulting services for the Sanitary District totaling \$27,900 were made without a contract.

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

DEPOSITS

As noted in the prior Reports B25557, B27632 and B30391 and during the current audit period, there were instances where receipts collected by City Departments were either not deposited by the Department by the next business day or were not remitted by the Department to the City Controller for deposit by the next business day as follows:

City Engineer:

In a test of ten receipts all ten were remitted to the City Controller later than the next business day.

Prairie Creek Park:

In a test of ten receipts all ten were deposited later than the next business day. Three of the receipts tested were in deposits with receipts from at least a four-day period and the amount deposited ranged from \$22,290 to \$29,500.

Animal Shelter:

In a test of twenty receipts, four were remitted to the City Controller later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TIMELY RECORDKEEPING - DRUG TASK FORCE

During the audit period, money disbursed by the City to the Muncie/Delaware County Drug Task Force was not recorded in their Buy Money Log on a timely basis. The City disbursed \$3,000 in both October and November 2007. The money was recorded in the Buy Money Log as follows: \$2,500 in January 2008 and \$2,500 in February 2008. The remaining \$1,000 had not yet been recorded when the Buy Money Log was presented for audit review on February 19, 2008. According to Drug Task Force personnel, the money from the City was only recorded when needed in order to keep the cash balance on the Buy Money Log low.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

CHANGE ORDERS

During a review of paving contracts, the following item was noted:

Change orders were not approved by the governing board. A change order for paving (\$14,923) was disbursed from the Local Road and Street Fund. Change orders for paving (\$14,425) and extension of sidewalks (\$7,459) were paid from federal grant funds.

The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EXCESSIVE OR UNREASONABLE COSTS - NEWSLETTER

The Muncie Sanitary District pays to have a professionally produced internal newsletter. For the year 2007 the cost of the newsletter was \$14,086.

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

MUNCIE SANITARY DISTRICT SEWAGE RATES - APPROVAL BY THE CITY COUNCIL

The current sewer rates in effect for charges billed to Muncie Sanitary District Wastewater Utility customers were established in Resolution 2005-14 approved by the Sanitary Board of Commissioners. Before taking effect, the sewer rates were not approved by ordinance of the municipal legislative body.

Indiana Code 36-9-25-11(a) states in part: "In connection with its duties, the board may fix fees for the treatment and disposal of sewage and other waste discharged into the sewerage system, collect the fees, and establish and enforce rules governing the furnishing of and payment for sewage treatment and disposal service. The fees must be just and equitable and shall be paid by any user of the sewage works and the owner of every lot, parcel of real property, or building that is connected with and uses the sewage works of the district by or through any part of the sewerage system. This section applies to owners of property that is partially or wholly exempt from taxation, as well as owners of property subject to full taxation. . . . (c) . . . However, fees related to property that is subject to full taxation do not take effect until they have been approved by ordinance of the municipal legislative body . . ."

CAPITAL ASSET RECORDS

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

The following completed Sanitary District construction had not been recorded:

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

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

The following construction in progress has not been recorded:

1. Known City infrastructure projects with costs totaling \$1,650,821 at December 31, 2007, had not been recorded. Costs paid on the projects by the Indiana Department of Transportation were not available.
2. Muncie Sanitary District Wastewater Treatment Plant Improvement Phase II project costs totaling \$16,072,264 at December 31, 2007, had not been recorded.

Storm sewers have not been recorded.

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

TRUST AND ENDOWMENT – BEECH GROVE CEMETERY

The will of William H. Thompson provided for a trust to be established. The will stated in part: ". . . three thousand dollars (\$3,000) in cash which shall be invested . . . and the income from which shall be used for the permanent maintenance and care of lots in the Beech Grove Cemetery at Muncie, Indiana, in which lots my wife's and my own relatives are buried, the present title to said cemetery lots being in myself and my brother-in-law, Walter L. Gregory. . . ." In 2007 the Cemetery purchased, with income earned on the trust principal, a truck at a cost in the amount of \$23,469 to be used for general cemetery maintenance and not specifically for the maintenance of the graves stated in the Thompson will.

Each governmental unit is responsible for complying with any requirements of trust agreements or endowments received which are not contrary to state statute or constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUDGETED LINE ITEMS

Disbursements were not always charged to the proper appropriation line item. (i.e. Meals, flowers and supplies charged to Other Services and Charges; Meals charged to supplies)

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

OVERDRAWN CASH BALANCES

Cash balances of the C.D. CDBG 07 Fund, C.D. FY 97 Home Program Fund, C.D. FY 02 Home Program Fund, C.D. FY 04 Home Program Fund, C.D. FY 06 Home Program Fund and the C.D. FY 07 Home Program Fund were overdrawn in 2007.

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

CITY OF MUNCIE
 AUDIT RESULTS AND COMMENTS
 (Continued)

CREDIT CARD AND TRAVEL CLAIMS

City and Sanitary District records presented for audit included claims for reimbursement and credit card disbursements for meals. Detailed food purchases were not always documented. There were meal purchases supported by a credit card slip only, rather than a detailed invoice. Specific detailed information such as individuals for whom amounts were claimed and the nature and purpose of the meeting were not noted. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

The following expenses were not in accordance with the approved travel policies:

1. There were several instances when tips for meals exceeded 15%.
2. Some individuals incurred food expenses greater than \$35 per day.
3. Valet services were paid in an amount totaling \$125.

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

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

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2007	<u>\$ 620,841</u>

Money received from State major moves distributions and a federal reimbursement grant was added to the approved budgeted appropriations without first being approved as additional appropriations.

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

CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Sanitary District employees received payments for working the recycling and storm water educational booths. These payments were not included in the payroll system or on the salary ordinance or resolution.

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

FUND SOURCES AND USES

Disbursements for the Soap Box Derby totaling \$14,512 were paid from the E.D.I.T. Fund (\$5,491) and improperly paid from the Sanitation Operating Fund (\$1,038) and the Sewage General Operating Fund (\$7,983). A reimbursement of \$3,000 was received from the Delaware County Convention and Tourism Commission and was posted to the Sanitation Operating Fund.

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

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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 CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Muncie (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2007-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding activities allowed or unallowed that are applicable to its Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-2, 2007-3, 2007-4, 2007-5 and 2007-6.

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City'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. We consider the deficiencies in internal control over compliance described in items 2007-1, 2007-5 and 2007-6 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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

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

STATE BOARD OF ACCOUNTS

July 15, 2008

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
Community Development Block Grants/Entitlement Grants	14.218		
		B-04-MC-18-0010	\$ 89,956
		B-05-MC-18-0010	40,524
		B-06-MC-18-0010	651,320
		B-07-MC-18-0010	<u>549,488</u>
Total for program			<u>1,331,288</u>
Direct Grant			
Home Investment Partnerships Program	14.239		
		M-02-MC-18-0206	3,318
		M-04-MC-18-0206	48,747
		M-05-MC-18-0206	458,278
		M-06-MC-18-0206	694,447
		M-07-MC-18-0206	<u>44,691</u>
Total for program			<u>1,249,481</u>
Direct Grant			
Economic Development Initiative - Special Projects, Neighborhood Initiative and Miscellaneous Grants	14.251		
		B-06-SP-IN-0346	28,267
		B-06-SP-IN-0352	<u>494,328</u>
Total for program			<u>522,595</u>
Total for federal grantor agency			<u>3,103,364</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources Historic Preservation Fund Grants-In-Aid	15.904		
		18-05-21517-CA-3	7,947
		18-06-21517-18	<u>38,940</u>
			<u>46,887</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607		
		2007	<u>13,274</u>
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575		
		06VA025	16,091
		06VA024	45,671
		06VA156	63,431
		07VA019	<u>31,742</u>
Total for program			<u>156,935</u>
Edward Byrne Memorial Formula Grant Program	16.579		
		05-DJ-076	25,754
		05-DJ-026	<u>64,736</u>
Total for program			<u>90,490</u>
Violence Against Women Formula Grants	16.588		
		06ST014	<u>30,835</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
		2006djbx1111	<u>14,000</u>
Total for federal grantor agency			<u>305,534</u>

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

CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007
(Continued)

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction	20.205	01824049 DEM-IN 40(001) STP-M480(003) DEM-IN-48(001)(02)	225,940 106,530 12,812 <u>163,152</u>
Total for program			<u>508,434</u>
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety	20.600	154HE-2008-08-01-08 PT-08-04-01-03	4,760 <u>9,625</u>
Total for program			<u>14,385</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PT-07-04-01-03 K8-07-03-01-02 K8-2008-02-03-06	42,590 35,270 <u>8,785</u>
Total for program			<u>86,645</u>
Total for federal grantor agency			<u>609,464</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW06121802	<u>2,991,881</u>
Pass-Through Ball State University Nonpoint Source Implementation Grants	66.460	2006-2007	<u>7,047</u>
Total for federal grantor agency			<u>2,998,928</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant	97.044	EMW-2006-FG-09817	<u>218,084</u>
Pass-Through Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EM 3274	<u>98,814</u>
Total for federal grantor agency			<u>316,898</u>
Total federal awards expended			<u>\$ 7,381,075</u>

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

CITY OF MUNCIE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Muncie (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2007:

Program Title	Federal CFDA Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$ 293,284
Home Investment Partnerships Program	14.239	171,951
Crime Victim Assistance	16.575	96,578
Edward Byrne Memorial Formula Grant Program	16.579	44,343
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14,000
State and Community Highway Safety	20.600	1,400
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	32,603

CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:
Unqualified – 14.218, 14.251, 20.205 and 66.458
Qualified – 14.239

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
14.251	Economic Development Initiative - Special Projects, Neighborhood Initiative and Miscellaneous Grants
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Loans

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-1, UNALLOWABLE ACTIVITIES AND COSTS

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

The monitoring report from the U.S. Department of Housing and Urban Development, Office of Inspector General for Audit, Region V, dated April 7, 2008, noted that the City lacked documentation to support that it followed HUD's regulations and its requirements when it used HOME funds as follows:

1. Program funds were used to provide rehabilitation assistance for IDIS Activity 2015 in the amount of \$117,375. The City is to provide supporting documentation for the amount or reimburse from nonfederal funds \$117,375.
2. Program funds in the amount of \$20,000 and program income in the amount of \$1,670 were disbursed to Christian Ministries of Delaware County (Christian Ministries) to provide tenant-based rental assistance, including the first month's rent and/or security deposits, for 96 households in the amount of \$20,000. The City is to provide supporting documentation for the amounts or reimburse from nonfederal funds \$21,670.

Further, the City disbursed \$6,077 in program funds to Christian Ministries after the City's operating agency agreement with Christian Ministries had expired. The City is to reimburse from nonfederal funds \$6,077.

During a review of program disbursements and contracts we noted a payment in excess of the contract amount as detailed below:

3. A contract with Muncie Homeownership and Development Center indicated that \$5,000 for down payment assistance for each project will be provided (IDIS Activity 2133). The City disbursed \$19,999 to Muncie Homeownership and Development Center for one project, exceeding the contract amount by \$14,999.

HOME Regulations 24 CFR 92.504(a) states in part: "The participating jurisdiction is responsible for managing the day to day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise."

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

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

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

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

FINDING 2007-2, ELIGIBILITY

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

Eight properties required inspections to be performed for rents and occupancy of HOME-assisted units to demonstrate compliance with long-term affordability requirements, however, none were performed.

HOME Regulations 24 CFR 92.504(d) states in part: "During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards of 92.251 and to verify the information submitted by the owners in accordance with the requirements of 92.252 no less than: every three years for projects containing 1 to 4 units; every two years for projects containing 5 to 25 units; and every year for projects containing 26 or more units . . ."

The City has experienced both turnover and serious illness of several key staff for the past few years. This factor has severely curtailed the City's capacity to keep up with HUD compliance requirements.

Failure to perform on-site inspections does not allow the verification of information submitted by owners thus possibly providing assistance to recipients who are not eligible.

We recommended the City perform on-site inspections for HOME assisted rental property during the period of affordability.

FINDING 2007-3, ON-SITE INSPECTIONS

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

Fifty-one housing quality inspections were to be performed for rents and occupancy of HOME-assisted units in 2007; however, none were performed.

The monitoring report from the U.S. Department of Housing and Urban Development, Office of Inspector General for Audit, Region V, dated April 7, 2008, states in part: "The City also could not provide documentation for activity numbers 2086, 2088, 2089 and 2096 to support that it followed HUD's regulations and its requirements when it used \$76,530 in Program funds to provide downpayments, closing costs, and/or gap financing. The City did not conduct its own inspections to determine whether the houses met all applicable state and local housing quality standards and code requirements and HUD's housing quality standards. The Center's activity files contained homebuyers' consumer housing inspection reports (reports) for the four activities. However, the reports did not focus on whether the houses met all applicable state and local housing quality standards and code requirements and HUD's housing quality standards."

HOME Regulations 24 CFR 92.209(i) states in part: "State housing occupied by a family receiving tenant-based rental assistance must meet HUD's housing quality standards. The participating jurisdiction must inspect the housing initially and re-inspect it annually."

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

HOME Regulations 24 CFR 92.251(a)(1) states: "Housing occupied by a family receiving tenant-based assistance under this section must meet the requirements set forth in 24 CFR 982.401. The participating jurisdiction must inspect the housing initially and re-inspect it annually."

HOME Regulations 24 CFR 92.505(d)(1) states in part: "During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with property standards of 92.251 and to verify the information submitted by the owners in accordance with 92.252 no less than: every three years for projects containing 1 to 4 units; every two years for projects containing 5 to 25 units; and every year for projects containing 26 or more units. Inspections must be based on a sufficient sample of units."

The City has experienced both turnover and serious illness of several key staff for the past few years. This factor has severely curtailed the City's capacity to keep up with HUD compliance requirements.

Failure to perform on-site inspections may result in inadequate property standards for HOME assisted rental property.

We recommended the unit perform on-site inspections for HOME assisted rental property.

FINDING 2007-4, UNALLOWABLE ACTIVITIES AND COSTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Grants/Entitlement Grants
CFDA Number: 14.218

During a review of grant disbursements, the following unallowable activities and costs were noted:

1. The City constructed an equipment barn and funded one-half of the cost of the barn from grant funds. The total amount disbursed from the World Changers activity for the barn was \$29,304.
2. The City installed a spot light fixture at Cooley Park and funded over 60% of the cost of the light from grant funds. The total amount disbursed from the Infrastructure activity for the light was \$4,356.

The Housing and Urban Development Code of Federal Regulations 24 CFR 570.506(a)(b) states in part: "Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum, the following records are needed: (a) Records providing a full description of each activity assisted (or being assisted) with CDBG funds, including its location (if activity has a geographical locus), the amount of CDBG funds budgeted, obligated and expended for the activity, and the provision in subpart C under which it is eligible. (b) Records demonstrating that each activity undertaken meets one of the criteria set forth in 570.208 . . ."

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

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

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

We recommended the City review allowable costs in order to have the capacity to determine eligible project costs and program progress in accordance with CDBG Regulations.

FINDING 2007-5. UNALLOWABLE ACTIVITIES AND COSTS

Federal Agency: Department of Housing and Urban Development
Federal Program: Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants
CFDA Number: 14.251

The following procedures were in place to administer the grant:

1. The grant application was submitted by a Community Development employee as directed by the Mayor.
2. The grant agreement was signed by the Mayor.
3. The Project Manager oversaw the project.
4. The invoices were entered into the accounting system by the Purchasing Agent of the Controller's office. He could not recall who gave him the invoices.
5. The Board of Works approved the claims.
6. The HUD drawdowns were performed by a another Community Development employee and the Director of Community Development. The employee could not recall who gave her the invoices which supported the draws.
7. The land acquisition was the responsibility of the Muncie Redevelopment Commission. There was no central oversight of the grant process.

The Director of Community Development and an employee of Community Development submitted paperwork requesting themselves to be eligible for drawing HUD grant funds. The employees were sent a LOCCS Voice Response System (VRS) Access Authorization approving the individuals to drawdown funds. To activate the LOCCS access, a call had to be made to HUD in order to create a password. The Director did not call HUD to create a password. He drew down grant funds using the employee's password.

There were several individuals involved in the grant process. This resulted in much confusion due to no central oversight. Not all federal expenditures were properly approved resulting in \$672 claimed for reimbursement in error.

AICPA Statement of Position 98-3, Subpart C-Auditees states in part: . . . , " 300 Auditee responsibilities. (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The City had several individuals involved in the grant process resulting in confusion because of no central oversight.

Improper expenditures were claimed for reimbursement.

We recommended that the City incorporate proper internal controls to ensure compliance with laws, regulations, and the provisions of contracts or grant agreements.

FINDING 2007-6, ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency: Department of Housing and Urban Development
Federal Program: Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants
CFDA Number: 14.251

Two appraisals were obtained for the purchase of land. The appraised values were \$570,000 and \$325,000, resulting in an average appraisal of \$447,500. No additional appraisals were obtained. The total purchase price of the land was \$447,500. The actual amount disbursed was \$441,151.51, after adding settlement charges of \$853.50 and deducting county taxes of \$7,201.99. The land survey totaled \$5,000 (\$1,672 paid from Project B-06-SO-IN-0352 and \$3,320 paid from Project B-06-SO-IN-0346).

The budget approved by the Department of Housing and Urban Development for Property Acquisition for Project B-06-SO-IN-0352 totaled \$152,000. The total federal expenditures for property acquisition were \$442,823.51. This resulted in exceeding the approved budget amount by \$290,823.51.

The Grant Award Instructions developed by the U.S. Department of Housing and Urban Development, Community Planning and Development, Congressional Grants Division, Question 3 states in part: "Following approval of the initial application, the grantee may propose to amend the approved project. The grantee must submit a letter requesting revisions to the project, budget, and timelines, as appropriate, along with a justification for the proposed changes."

The City had several individuals involved in the grant process resulting in confusion because of no central oversight.

Federal expenditures were made which were not in accordance with the approved budget.

We recommended that the City expend federal monies in accordance with the approved budget.



City of MUNCIE

MUNCIE, INDIANA

Sharon McShurley, Mayor

May 7, 2008

STATE BOARD OF ACCOUNTS SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2006-2. Subrecipients

Original SBA Audit Report Number	B30391
Fiscal Year	2006
Auditee Contact Person	Connie Gregory
Title of Contact Person	Community Development Director
Phone Number	765-747-7425

Status of Finding:

All subrecipients were monitored in 2007.

The City of Muncie Community Development Department has executed written agreements with all current subrecipients and CHDOs operating with HOME funds, including Muncie Home Ownership and Development Center executed 4/25/07.

Finding Number 2006-3. Unallowable Activities and Costs

Original SBA Audit Report Number	B30391
Fiscal Year	2006
Auditee Contact Person	Connie Gregory
Title of Contact Person	Community Development Director
Phone Number	765-747-7425

Status of Finding:

On February 2, 2008, the City requested a voluntary reduction on the FY2008 HOME grant in the amount of \$420,834.09, which included:

1. activity 1770 in the amount of \$4,298;
2. activity 1812 in the amount of \$12,883;
3. activity 1742 in the amount of \$12,759, and 2091 in the amount of \$12,099;
4. activity 1955 in the amount of \$253,995.09

The HOME Coordinator and new Community Development Director attended HOME training and are working closely with the HUD Indianapolis office to ensure projects are eligible and are implemented in a timely manner.

Finding Number 2006-4. Eligibility of Individuals


Original SBA Audit Report Number	B30391
Fiscal Year	2006
Auditee Contact Person	Connie Gregory
Title of Contact Person	Community Development Director
Phone Number	765-747-7425

Status of Finding:

CD staff has and will continue to monitor subrecipients to ensure income eligibility source documentation is included in files of households occupying HOME-funded projects during the period of affordability as required by subrecipient agreements.

If you need additional information regarding these findings, please contact Community Development Director Connie Gregory at 765-747-4825, or cgregory@cityofmuncie.com.

Sincerely,


Sharon McShurley
Mayor
City of Muncie



City of MUNCIE

MUNCIE, INDIANA

Sharon McShurley, Mayor

July 16, 2008

STATE BOARD OF ACCOUNTS

CITY OF MUNCIE SCHEDULE OF FINDINGS AND QUESTIONED COSTS RESPONSE

Section III – Federal Award Findings and Questioned Costs

Finding 2007-1, UNALLOWABLE ACTIVITIES AND COSTS

Auditee Contact Person: Connie Gregory
Title of Contact Person: Community Development Director
Phone Number: 765-747-4825

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

The City is awaiting instructions from HUD's Indianapolis Field Office regarding final resolution of audit findings from the Office of Inspector General. It is anticipated the City will exercise the option of reducing the FY2009 HOME allocation by the amount of unallowable costs. Below are additional comments regarding Community Development (CD) policies and procedures that will prevent recurrence of questioned costs.

CD has a subrecipient contract with Christian Ministries to administer tenant-based rental assistance (TBRA) using FY2007 HOME funds. CD staff has inspected all units that are not Section 8 or Public Housing units. Muncie Housing Authority is providing to Christian Ministries copies of inspection reports for their units in order to document compliance with HUD housing quality standards. The TBRA program has not been funded with FY2008 funds.

CD has instituted procedures that include reviewing subrecipient contract balances during the first week of May to identify those that may need a contract amendment extending the contract ending date. Such amendments will be taken to the Board of Public Works and Safety for approval.

The new CD Director and the HOME Coordinator attended HOME training in March and have implemented project application review procedures and forms recommended by HUD, which will help ensure all activities and costs are eligible according to HOME regulations.

Finding 2007-2, ELIGIBILITY

Auditee Contact Person: Connie Gregory
Title of Contact Person: Community Development Director
Phone Number: 765-747-4825

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

The HOME Coordinator has developed a schedule of on-site monitoring visits for units within the period of affordability, according to HUD requirements, including 8 properties in 2008. To date, 5 on-site monitoring visits have been completed in 2008, during which eligibility of assisted renters was verified. The remaining 3 units will be monitored before 12/31/08.

Additionally, HUD technical assistance consultants, Michael Doaks and Associates, will be working with CD staff at the Muncie CD office 7/29-7/31/08, focusing primarily on HOME policies and procedures. One of the highest priorities will be to develop a perpetual schedule of monitoring visits and on-site HQS inspections to ensure compliance with all HUD requirements on HOME-assisted units throughout the period of affordability for each project.

Finding 2007-3, ON-SITE INSPECTIONS

Auditee Contact Person: Connie Gregory
Title of Contact Person: Community Development Director
Phone Number: 765-747-4825

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

Based on the inspection schedule described above in Finding 2007-2, the CD Construction Specialist will complete on-site HQS inspections by 12/31/08 for those HOME-assisted units scheduled for 2008. (It is anticipated that the 8 units on the monitoring schedule described above will be scheduled for HQS inspections in 2008.) The HOME Coordinator will be responsible for ensuring appropriate units are scheduled for monitoring during each year according to the perpetual schedule, and for coordinating with the Construction Specialist to ensure HQS inspections are also completed within the year.

Finding 2007-4, UNALLOWABLE ACTIVITIES AND COSTS

Auditee Contact Person: Connie Gregory
Title of Contact Person: Community Development Director
Phone Number: 765-747-4825

Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Grants/Entitlement Grants
CFDA Number 14.218

Procedures for developing the draft FY2008 Annual Action Plan of the Consolidated Plan involved completion of the IDIS Set-up Worksheet for each project activity prior to consideration for funding by the Citizen Advisory Council. The set-up form includes a full description of the activity, location, environmental assessment code, and most importantly, citation of eligibility and national objective codes. Activities that do not meet the latter criteria are not considered for funding.

Furthermore, the new CD Director has many years of experience administering the CDBG program, which increases the department's capacity to maintain compliance with HUD requirements.

Finding 2007-5, UNALLOWABLE ACTIVITIES AND COSTS

Auditee Contact Person: Connie Gregory
Title of Contact Person: Community Development Director
Phone Number: 765-747-4825

Federal Agency: Department of Housing and Urban Development
Federal Program: Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants
CFDA Number 14.251

The new CD Director has received authorization for LOCCS access and has established a password to facilitate drawdowns.

The City Controller, City Engineer, and Community Development staff met April 17, 2008, to identify responsibilities regarding the EDI grant, with Community Development assuming central oversight to ensure compliance with laws, regulations, and provisions of the grant agreements. The Mayor, City Controller, and City Engineer will identify remaining project activities; City Engineer will oversee construction, submit invoices to CD for payment, prepare progress reports; CD staff will submit reports, budget and project amendments, and complete drawdown of funds on the same day approved for payment by Board of Public Works and Safety.

Finding 2007-6, ACTIVITIES ALLOWED OR UNALLOWED

Auditee Contact Person:	Connie Gregory
Title of Contact Person:	Community Development Director
Phone Number:	765-747-4825
Federal Agency:	Department of Housing and Urban Development
Federal Program:	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants
CFDA Number	14.251

See above response regarding central oversight of the grants.

The grant budget has been revised and submitted to HUD. All expenditures will be in accordance with the approved budget.

If you need additional information, please contact Connie Gregory, Community Development Director at 765-747-4825, via email at communitydev@cityofmuncie.com or via postal service at 300 N. High St., Muncie, IN 47305.

Sincerely,



Sharon McShurley
Mayor
City of Muncie

CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2008, with Sharon McShurley, Mayor; Mary Ann Kratochvil, CPA, Controller; Sam Marshall, President of the Common Council; William B. Smith, Member of the Board of Sanitary Commissioners; and Barbara Smith, Sanitary District Administrator. The official response has been made a part of this report and may be found on pages 75 through 91.

MUNCIE SANITARY DISTRICT

300 North High Street • Muncie, Indiana 47305
765-747-4863 • Fax 765-747-4719
www.munciesanitary.com



BOARD OF SANITARY COMMISSIONERS

RECEIVED

JUL 28 2008

July 24, 2008

STATE BOARD OF ACCOUNTS
Indiana State Board of Accounts
202 W. Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2765

Attention: Charles Pride

In Re: Muncie Sanitary District
Sewage Fees

Dear Mr. Pride:

As attorney for the Muncie Sanitary District, I have been asked to respond to the preliminary discussion draft of the City of Muncie Audit Results and Comments as it relates to Muncie Sanitary District sewage rates. The auditor who prepared the preliminary discussion draft concludes, after reviewing the provisions of I.C. 36-9-25-11(a), that sewer rates in effect for charges billed to the Muncie Sanitary District Wastewater Utility Customers and established by Resolution 2005-14, must be approved by ordinance of the Muncie City Council.

The Board of Sanitary Commissioners has relied upon the legal opinion of John C. Gilliland II, then of the firm of DeFur, Voran, Hanley, Radcliff & Reed, dated June 14, 1988, on the issue of whether or not user fees established by the Muncie Sanitary District must be approved by the Muncie City Council. As attorney for the District for the past 16 ½ years, I have endorsed and agree with this legal opinion. I enclose herewith a copy of that opinion letter which provides in part, and particularly at pages 5, 6, 7, 8, and 9, that since the user fee is not directly or indirectly dependent upon the taxable status of the property served, the user fee does not need to be approved by the Muncie City Council. As concluded by Mr. Gilliland, the Muncie Sanitary District's user fees are not in any way, directly or indirectly, connected to or established based upon whether or not the premises or property served is fully taxable, or wholly or partially tax exempt. These fees apply whether or not the entity to which they are charged is wholly taxable or tax exempt. Examples of such entities are Ball Memorial Hospital and Ball State University.

As recently as December 30, 2005, Ice, Miller, Donadio & Ryan, bond counsel for the District relating to the Muncie Sanitary District Bonds of 2005, has concluded that bonds in the amount of \$17,960,000.00 which were issued pursuant to the aforesaid bond proceedings, are the obligations of the Muncie Sanitary District as a special taxing district in accordance with the terms and provisions thereof. Bond counsel has also concluded that the bonds are payable only out of the gross revenue of the sewage works of the Muncie Sanitary District as a special taxing district. Finally, bond counsel specifically approved the Rate Resolution adopted by the Board of Commissioners of the Muncie Sanitary District, Resolution No. 2005-14, which increased sewage rates sufficiently to be able to



make the required payments to bond holders. This resolution was not submitted to the Muncie City Council for approval, which procedure was approved by bond counsel.

Further, as a part of the process of issuing the bonds, the State of Indiana Department of Local Government Finance specifically approved the issuance of the bonds to be repaid from sewage works revenue. Had either bond counsel or the State of Indiana Department of Local Government Finance had any question as to whether sewage fees are required to be approved by the Muncie City Council, this bond issue would never had been approved.

The State Board of Tax Commissioners issued its Order approving the aforesaid bonds in December of 2005. This Order specifically provided that the repayment of the bonds was an obligation of the Muncie Sanitary District only, and not the City of Muncie.

I.C. 36-9-25-14 provides that all territory included within the corporate boundaries of the municipality or any land outside the municipality that has been taken into the "Sanitary District" in accordance with a prior statute, constitutes a special taxing district. In accordance with the provisions of I.C. 39-1-2-13, a special taxing district is a separate "political subdivision", which has the powers given to it by statute. The City of Muncie is prohibited by I.C. 36-1-3-8 from imposing duties on another political subdivision except as expressly granted by statute. The Muncie Sanitary District encompasses an area far beyond the boundaries of the City of Muncie, Indiana, and it would be inappropriate to give the City Council authority to approve sewage rates for residents of the district who are not residents of the City of Muncie.

You should be advised that in preparing this letter, I have reviewed the opinion of the Office of the Attorney General of the State of Indiana dated June 15, 1990 in a letter directed to State Senator Dennis P. Neary. I disagree with the conclusions drawn therein for the reasons that I have stated in this opinion, and for the reasons as stated by Mr. Gilliland in his opinion of June 14, 1988.

As indicated in Mr. Gilliland's opinion, neither taxes levied by the Muncie Sanitary District, bonds issued by the Muncie Sanitary District, or fees established by the Muncie Sanitary District, must be approved by the Muncie City Council for all of the reasons which I have stated herein.

This is not the first time that this issue has been addressed pursuant to inquiries by the State Board of Accounts. Although the question was not exactly the same, I provided an opinion to Larry Tippin of the State Board of Accounts on April 13, 2004 regarding the legal status of the Muncie Sanitary District. I enclose a copy of that opinion herewith.



For the reasons stated, I.C. 36-9-25-11(a) does not require that the City Council approve sewage fees established by resolution of the Board of Sanitary Commissioners of the Muncie Sanitary District.

Very truly yours

William G. Bruns
Attorney, Muncie Sanitary District

WGB/kjc

Enclosures

CC: Barbara Smith, District Administrator
Muncie Sanitary District

Mark Miller, President
Board of Sanitary Commissioners

DEFUR, VORAN, HANLEY, RADCLIFF & REED

ATTORNEYS AT LAW

201 EAST JACKSON STREET - SUITE 400

MUNCIE, INDIANA 47305-2847

TELEPHONE
317-288-3651

OF COUNSEL
WILLIAM F. RADCLIFF

EARL G. DEFUR
(1903-1986)

MARSHALL E. HANLEY
(1920-1981)

REED D. VORAN
SAMUEL L. REED
RICHARD D. HUGHES
JON H. MOLL
JOHN C. GILLILAND II
GREGORY A. HUFFMAN
STEVEN D. MURPHY
SCOTT E. SHOCKLEY
TED R. BROWN
JOAN R. SCHLIEBNER
JENNIFER J. ABRELL
JAMES P. BORGMANN

June 14, 1988

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

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

Dear Mr. Stephenson:

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

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

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

Robert L. Stephenson
June 14, 1988
Page Two

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

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

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

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

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

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

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

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

"(a) To provide money to pay:

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

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

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

Robert L. Stephenson
June 14, 1988
Page Three

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

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

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

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

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

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

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

Robert L. Stephenson
June 14, 1988
Page Four

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Robert L. Stephenson
June 14, 1988
Page Eight

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

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

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

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

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

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

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

Robert L. Stephenson
June 14, 1988
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If, however, the Muncie Sanitary District were to establish a fee structure based upon some other factor or factors which make the user fees directly or indirectly affected by the tax status of the property served, approval of the Muncie City Council would be required. For example, if user fees were to be established for different classes of users (see, I.C. 36-9-25-11[d]) where the classes established were directly or indirectly related to the tax status of the property or premises served, then the user fees would be "related to property that is subject to full taxation," and would not take effect until they were approved by Muncie City Council (an example of such an "other factor" is illustrated by I.C. 36-9-23-25[d][6], which refers to user fees based upon whether or not the property has been or will be required to pay separately for any part of the sewage works; a user fee established directly or indirectly on that basis would appear to be "related to" the taxability of the property involved).

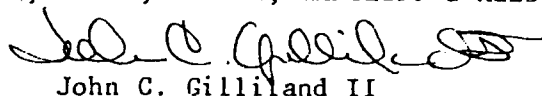
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If you should have any questions concerning the content of this letter, please do not hesitate to contact me.

Very truly yours,

DE FUR, VORAN, HANLEY, RADCLIFF & REED

By



John C. Gilliland II

JCG/teg

cc: Thomas A. Cannon, Sr.

CANNON & BRUNS
ATTORNEYS AT LAW
119 NORTH HIGH STREET
MUNCIE, INDIANA 47305

WILLIAM G. BRUNS
THOMAS A. CANNON, JR.
THOMAS A. CANNON
(1908-2003)

TELEPHONE (765) 289-2161
FAX (765) 289-2162
E-MAIL canbru@quest.net

April 13, 2004

Indiana State Board of Accounts
302 West Washington Street
Fourth Floor, Room E-418
Indianapolis, IN 46204-2765

Attention: Larry Tippin

In Re: Muncie Sanitary District
Legal Status
Reply to Opinion of Larry Tippin
Dated: December 11, 2003

As attorney for the Muncie Sanitary District, I have been asked to respond to the Opinion of Larry Tippin dated December 11, 2003, regarding the legal status of Sanitary Districts. Mr. Tippin apparently concludes after reviewing the enabling legislation, I.C. 36-9-25-1 through 40, that Sanitary Districts are, in fact, a part of the City, and should not be considered a legally separate Special District.

Mr. Tippin begins his analysis by citing from Governmental Accounting Standards Board Statement No. 14, which he quotes to provide in part:

“Legal autonomy derives from the organization’s corporate powers, including the ability to buy, sell, lease, and mortgage property in its own name and the power to sue and be sued without recourse to the state or municipality itself.”

Mr. Tippin further quotes I.C.36-9-25-10 (18) in support of his position. Such statute reads as follows:

“In performing its duties the board may do the following: ... (18) Sue or be sued in the name of the municipality, with payment for obligations and of a judgment against the municipality in an action to be made solely from funds of the department and its district that may be available for this purpose.”

As attorney for the Muncie Sanitary District for the past twelve (12) years and also for the years 1979 through 1983, I have initiated suits in the name of the Muncie Sanitary District on a number of occasions, and have defended suits against the District on many more occasions. Depending upon the results of the litigation, it was always understood and known that only the assets of the Muncie Sanitary District were available to fund any judgment or settlement. Any Plaintiff who brought an action against the District, and received a favorable result, could look to the assets of the District and not the assets of the City of Muncie, Indiana, to satisfy any judgment against the District.

Sanitation Departments may be established under either Section (a) or (b) of I. C. 36-9-25-3. Section (a) which is inapplicable to the Muncie Sanitary District provides that the Department is established as an executive department of the Municipality. On June 2, 1964, the Muncie Sanitary District was established under the Acts of 1963 Sections 48-4265 (a) to and including 48-4265 (f). Section 48-4265 (e) which eventually was codified to include I. C. 36-9-25-3 (b) provided that the Muncie Sanitary District was established under Section (b) of the current statute which provides that the department (of public sanitation) is under the control of the board of Sanitary Commissioners. I. C. 36-9-25-3 (b) (3) provides for the method of appointment of the 3-member Board of the Muncie Sanitary District.

I. C. 36-9-25-9 provides in pertinent part as follows:

The board ("of Sanitary Commissioners") shall manage and control all sewage works of the District The Board may purchase, acquire, construct, reconstruct, operate, repair, and maintain all sewage works."

The above statute clearly gives the Board of Sanitary Commissioners the authority to buy, sell, and lease property in its own name. During my tenure as attorney for the Muncie Sanitary District, numerous contracts for the purchase and sale of property have been entered into between the District and buyers or sellers of property. Conveyances have been made by the Board of Sanitary Commissioners. The District owns a number of parcels of real estate in the name of the Muncie Sanitary District, and has the authority to do so by reason of the above cited statute.

I. C. 36-9-25-10 relating to the powers of the "Board of Sanitary Commissioners" further provides in pertinent part as follows:

"In performing its duties the board (" of Sanitary Commissioners") may do the following:

1. If needed for sewage works, condemn, appropriate, lease, rent, purchase and hold any real or personal property

within the district or within five (5) miles outside the boundaries of the district.

Obviously, the power to condemn, appropriate, purchase, or lease real and personal property infers the right to sell that property in the event that it is not needed for the legitimate purposes of the District. In this regard, as attorney for the District, I have negotiated and assisted in the sale of both real and personal property for the Muncie Sanitary District.

I. C. 36-9-25-14 provides that all territory included within the corporate boundaries of the municipality or any land outside the municipality that has been taken into the "Sanitary District" in accordance with a prior statute, constitutes a special taxing district. In accordance with the provisions of I.C. 36-1-2-13 special taxing district is a separate "political subdivision" which has only the powers given it by statute. The City of Muncie is prohibited by Indiana Code Section 36-1-3-8 from imposing duties on another political subdivision, except as expressly granted by statute.

It was held in the case of Department of Public Sanitation of City of Hammond vs. Soland, (1951) 229 Ind. 228, 97 N.E. 2d 495 that a debt created by a sanitary district was the debt of the taxing district only. See also South Bend Pub. Transportation Corporation vs. City of South Bend, (1981) (Ind.) 428 N. E. 2d 217.

I. C. 36-9-25-32 authorizes the board ("of Sanitary Commissioners") to levy and collect a tax for all general expenses of the board. The board has complete and exclusive authority to expend on behalf of the District all money thus realized.

As recently as June 29, 2000, Ice, Miller, Donadio and Ryan, bond counsel for the District relating to the Sanitary District Bonds of 2000 has concluded that bonds in the amount of 15,500,000.00 which were issued pursuant to the aforesaid bond proceedings, are the obligations of the Muncie Sanitary District, as a special taxing district in accordance with the terms and provisions thereof. Bond counsel has also concluded that the bonds are payable only out of the gross revenue of the sewage works of the Muncie Sanitary District as a special taxing district.

The State Board of Tax Commissioners on June 14, of 2000, issued its order approving the issuance of the aforesaid general obligation bonds for the Muncie Sanitary District in the amount of \$15,500,000.00. Such order made no reference to any obligation of the City of Muncie.

In summary, I have carefully reviewed the enabling statutes, I.C. 36-9-25-1 through 36-9-25-40, and the following opinion letters, copies of which are attached:

1. Legislative Advisory Letter dated June 5, 1985 to J. Roberts Dailey, Speaker of the House of Representatives by Margaret Knight, Deputy Attorney General;
2. Unofficial Advisory Letter dated November 2, 1998, directed to Barbara Gasper Hines, Assistant City Attorney by Margaret Knight, Deputy Attorney General;
3. Opinion letter dated June 14, 1998, by John C. Gilliland II, of DeFur, Voran, Hanley, Radcliff and Reed directed to Robert L. Stephenson as President of the Board of Muncie Sanitary District Commissioners relating to the necessity for City Council approval of the Compensation to be paid to the Employees of the Muncie Sanitary District, and a second opinion letter from Mr. Gilliland to Mr. Stephenson bearing the same date relating to the necessity for City Council approval of Sanitary District Taxes, Bonds and User Fees;
4. A letter from Ice, Miller, Donadio and Ryan to the Indiana Bond Bank dated June 29, 2000, relating to the City of Muncie, Indiana Sanitary District Bonds of 2000 in the total amount of \$15,500,000.00.

I have further reviewed an Order by the State Board of Tax Commissioners dated June 14, 2000, approving the issuance of general obligation bonds for the Muncie Sanitary District, a copy of which is enclosed.

Based upon my research, I conclude, as I have on many previous occasions, and as did the Attorney General of the State of Indiana, that the Muncie Sanitary District is a special taxing district which has complete authority over its finances pursuant to I.C. 36-9-25-32 and other statutes cited herein. The Muncie City Council does not have jurisdiction over, and need not approve the budget of the Muncie Sanitary District. The Muncie Sanitary District is governed by the Board of Sanitary Commissioners which is legally separate from the City of Muncie, Indiana.

The Muncie Sanitary District clearly has legal autonomy based upon the corporate powers of the Board of Sanitary Commissioners, including the power to buy, sell, lease and mortgage property in the name of the Muncie Sanitary District and the power to sue and be sued without recourse to the City of Muncie. Accordingly, the Muncie Sanitary District clearly meets the requirements of legal autonomy as set forth in Government Accounting Standards Board Statement Number 14 which is quoted at length in Mr. Tippin's December 11th, 2003 report.

Clearly, the City of Muncie is not entitled to the Muncie Sanitary District's resources. The City of Muncie is not legally obligated to provide any financial support to the Muncie Sanitary District which is totally financially self-supporting. The City of Muncie is not obligated in any manner for any debt of the Muncie Sanitary District, including the bonded indebtedness of the District. Accordingly, the Muncie Sanitary District is a separate legal entity from the City of Muncie, Indiana.

Respectfully submitted,

CANNON & BRUNS

By: _____
William G. Bruns

WGB/sh
Enclosures