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April 2, 2014

Board of Directors
Housing Authority of the City of Muncie
409 First Street
Muncie, IN 47302

We have reviewed the audit report prepared by Velma Butler & Company, LTD, Independent Public Accountants, for the period April 1, 2010 to March 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Muncie, as of March 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**THE HOUSING AUTHORITY
OF THE CITY OF MUNCIE, INDIANA**

**INDEPENDENT AUDITORS' REPORT,
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION,
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED
MARCH 31, 2011**

THE HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Muncie, Indiana
Muncie, Indiana

U.S. Department of Housing and Urban Development
Indianapolis Office
Public Housing Division
151 North Delaware
Indianapolis, Indiana 46204-2526

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Muncie, Indiana (the Authority), as of and for the year ended March 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information was derived from the Authority's financial statements and our report dated September 10, 2010, we expressed an unqualified opinion on those financial statements.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

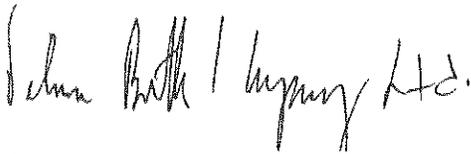
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Muncie, Indiana, as of March 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2011, on our consideration of the Authority's internal control structure over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In accordance with the U. S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, we have also issued our report dated December 2, 2011, on compliance with requirements applicable to each major program and internal controls over compliance. That report is an integral part of an audit performed on the expenditure of federal awards and should be considered in assessing the results of our engagement.

The management's discussion and analysis on pages 3 – 8, are not a required part 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of Muncie, Indiana basic financial statements. The accompanying financial data schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 of the Housing Authority. Such information has 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.



Velma Butler & Company, Ltd.
Chicago, Illinois

December 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



**409 E. First St.
Muncie, IN 47302
www.muncieha.com**

November 18, 2011

To the Board of Commissioners of the
Housing Authority of the City of Muncie, Indiana
Muncie, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Muncie, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on March 31, 2011, with selective comparison to the financial performance for the fiscal year ended March 31, 2010. Please read it in conjunction with the Authority's financial statements, which follow this section.

We are pleased to submit the financial statements of the Housing Authority of the City of Muncie, Indiana for the year ended March 31, 2011. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general-purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information, which complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- Net assets increased by \$1.6 million from \$23 million at March 31, 2010 to \$24.6 million at March 31, 2011.
- The change in net assets increase from a deficit of \$865 thousand in fiscal year 2010 to a profit of \$1.6 million in fiscal year 2011. The change was due to an increase in revenue from HUD for operating grants and new grants for obtained by the Authority.
- Revenues increased by \$2.4 million or 33.1% to \$9.6 million from \$7.2 million in 2010. Operating subsidy during the period increased, along with new grants.
- Expenses decreased by \$69 thousand during the year, from \$8,079 thousand during 2010 to \$8,010 thousand during 2011. The decrease occurred mainly in depreciation expenses and was due to the demolition of units.
- Total assets increased \$2 million to \$26.6 million at March 31, 2011 from \$24.6 million at March 31, 2010. The change occurred due to an increase in current assets, fixed assets and accrued interest receivable.

- Total liabilities increased by \$428 thousand, from \$1,632 thousand at March 31, 2010 to \$2,060 thousand at March 31, 2011. This increase was primarily due to an increase in accounts payable and deferred revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as an enterprise fund. Operations include two separate and distinct housing activities and various client service activities. The enterprise funds include the low rent housing program and the housing choice voucher program. The Low Rent Housing program is funded by income-based rents received from residents and operating subsidies from HUD.

Under the housing choice voucher program, the Authority enters into housing assistance payment contracts with eligible landlords. HUD pays housing assistance payments, which includes tenant rents and a management fee to the Authority for operating the program.

Client services and programs are supported by several grants - congregate housing, Ross and the neighborhoods network grant, which allows the authority to provide the delivery and coordination of supportive services and other activities to help residents attain economic self-sufficiency and elderly residents with disabilities to continue to live independently.

The financial statements are presented in three sections: management's discussion and analysis (this section), the basic financial statements and supplementary information.

The management discussion and analysis section includes information on the past and future accomplishments of the Authority. It focuses on analysis of the financial statements and the improvements on the Authority's management.

The financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. *Enterprise Funds* are used to account for the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

The bottom of the Statement of Revenues, Expenses and Changes in Net Assets reports the Authority's net assets and how they have changed from the previous year. Net assets are the difference between the Authority's assets and liabilities, which is one way to measure the Authority's financial health or position.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996 and the United States Office of Management and Budget's ("OMB") "Audits of State and Local Governments" as provided in OMB Circular A-133. Information related to this single audit, including a schedule of expenditures of federal assistance, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be issued with this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1, the Authority's total net assets at March 31, 2011 were approximately \$24.5 million, a 6.9 percent increase from the March 31, 2010 balance of \$23.0 million.

The increase in change of net assets from the previous year occurred mainly because of the growth of revenue from operating subsidy and new grants. The operating subsidy was increased due to units in construction, which are now complete and able to be leased.

Total assets increased by 8.2 percent to approximately \$26.6 million. This increase was due to an increase in current assets (cash and investments) and notes receivable.

Total liabilities increased by \$428 thousand or about 26.2 percent from \$1,632 thousand at March 31, 2010 to \$2,060 thousand at March 31, 2011. The increase mainly occurred because of an increase in deferred interest payable.

Table 1
Muncie Housing Authority Net Assets
(in thousand dollars)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Total Percentage Change</u>
Current Assets	\$ 2,302	\$ 1,270	\$ 1,032	81.3 %
Non-current Assets	24,321	23,336	985	4.2 %
Total Assets	<u>26,623</u>	<u>24,606</u>	<u>\$ 2,017</u>	8.2 %
Current Liabilities	374	227	\$ 147	64.8 %
Non Current Liabilities	1,686	1,405	281	20.0 %
Total Liabilities	<u>2,060</u>	<u>1,632</u>	428	26.2 %
Invested in Capital Assets, Net	17,886	17,202	684	4.0 %
Unrestricted	5,865	5,375	490	9.1 %
Restricted Net Assets	812	397	415	104.5 %
Total Net Assets	<u>24,563</u>	<u>22,974</u>	1,589	6.9 %
Total Liabilities and Net Assets	<u>\$ 26,623</u>	<u>\$ 24,606</u>	<u>\$ 2,017</u>	8.2 %

Change in Net Assets

Overall net assets increased by approximately \$1,589 thousand or 6.9 percent at March 31, 2011. Revenues were \$9,599 thousand and expenses were \$8,010 thousand.

As shown in Table 2, the Authority's total operating revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income increased by \$2,386 thousand or 33.1 percent, while total operating expenses decreased by \$69 thousand or 1 percent, from approximately from \$8,079 thousand at March 31, 2010 to \$8,010 thousand at March 31, 2011.

Table 2
Changes in Muncie Housing Authority's Net Assets
(in thousand dollars)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Total Percent Change</u>
Revenues	\$ 9,599	\$ 7,213	\$ 2,386	33.1%
Operating Expenses	6,959	6,567	392	6.0%
Depreciation	<u>1,051</u>	<u>1,512</u>	<u>(461)</u>	-30.5%
Total Operating Expenses	8,010	8,079	(69)	-0.9%
Change in Net Assets	1,589	(865)	2,454	-283.7%
Total Net Assets, Beginning	22,974	24,509	(1,535)	-6.3%
Prior Period Adjustments		<u>(670)</u>	<u>670</u>	
Total Net Assets, Ending	<u>\$ 24,563</u>	<u>\$ 22,974</u>	<u>\$ 1,589</u>	6.9%

As previously stated, operating expenses decreased by approximately 1 percent, changes are shown below in Table 3:

Table 3
Muncie Housing Authority's Operating Expense
(in thousand dollars)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Total Percent Change</u>
Administrative Expenses	\$ 1,603	\$ 1,371	\$ 232	16.9%
Tenant Services	59	1	58	5408.9%
Utilities Expenses	340	306	34	10.9%
Ordinary Maintenance	415	353	62	17.6%
General Expenses	203	192	11	5.7%
Extra Ordinary Maintenance	3	5	(2)	-40.0%
Housing Assistance Payments	4,336	4,339	(3)	-0.1%
Depreciation Expense	<u>1,051</u>	<u>1,512</u>	<u>(461)</u>	-30.5%
Total Operating Expenses	<u>\$ 8,010</u>	<u>\$ 8,079</u>	<u>\$ (69)</u>	-0.9%

Increases occurred in administrative expenses. The increase in administrative expenses is due to an increase in salaries and benefits, which was a result of new hires and promotions within the organization.

CAPITAL ASSETS

Capital assets increased by \$684 from \$17.2 million to \$17.8, as shown in the table below:

	<u>March 31, 2010</u>	<u>Additions and Deletions</u>	<u>March 31, 2011</u>
Land and Structures	\$ 33,381,653	\$ (6,446,522)	\$ 26,935,131
Equipment and Furniture	512,463	1,008,560	1,521,023
Construction in Progress	1,919,450	398,415	2,317,865
Less Accum. Depreciation	(18,611,854)	5,724,012	(12,887,842)
Total Fixed Assets	<u>\$ 17,201,712</u>	<u>\$ 684,465</u>	<u>\$ 17,886,177</u>

The decrease in land and structures is due to the demolition of units and the removal of those units and their associated depreciation.

BUDGETARY CONTROL

Budgetary control is exercised over programs through internal control methods that ensure compliance with legal provisions incorporated in annual program budgets approved by HUD and the Board of Commissioners. The activities of the Authority's enterprise fund are included in the annual budgeting process. Capital project budgets contained in the Authority's Low Rent Housing program are adopted for the length of the capital projects then annualized to strength cost monitoring and completion of timetables.

MAJOR INITIATIVES

For the Year: The Authority's highlights of major initiatives and discretionary policies for the year were as follows:

- The Authority constantly pursued the goal to always improve the public housing program (PHAS) score through a more comprehensive approach to management and improvements to the physical nature of our properties.
- The Authority conducted the admissions process in a manner in which all persons interested in admission to any of its programs were treated fairly and consistently and did not discriminate at any stage of the admissions process because of race, color, national origin, religion, creed, sex, age or disability.
- The Authority followed the nondiscrimination requirements of Federal, State and Local Law.
- The Authority's Admission and Occupancy Policy and Dwelling Lease have been revised to be in compliance with applicable laws and regulations.
- The Authority has implemented a relocation plan in regards to the residents of Parkview Apts. The 64 units at Parkview Apts. were successfully demolished.
- The Authority is developing plans to upgrade the acquired property (former Garfield Bldg.) to house the MHA Administration and other tenants that will enhance the accessibility of services to the Public.
- The Authority revised its Mission Statement and created operational core values.

It is the Authority's goal to acquire or build additional units and/or developments. The Muncie Housing Authority shall continue to focus its efforts on the revitalization of older housing units and seek out ways to construct new units in order to expand our portfolio to better address the needs for affordable housing.

The Authority will continue to seek out ways to enhance a healthy and safe environment for the residents through education, partnerships and identifying possible funding sources to aid in augmenting our current security measures. The Housing Authority of the City of Muncie, in keeping with its mission and that of the U.S. Department of Housing and Urban Development, will provide safe, decent, sanitary housing in good repair to the citizens of Muncie, Indiana.

Future Initiatives: The Authority will continue to provide a choice in housing recognizing the increase in need for affordable housing. During the fiscal year, the Authority will continue to administer the HOPE VI grant. The Authority has completed Phase I, Phase II, Phase III and Phase IV of the HOPE VI Millennium rental units. We have submitted the close out documents for the Homeownership Phase. Homes have been constructed and are prepared for purchase. We will continue our efforts to the HOPE VI commitments.

The Authority will submit a Tax Credit application to further develop affordable housing units. The Authority aims to be more competitive in the housing market and to increase its capacity as a developer through its instrumentality by enhancing staff capacity.

The Authority will continue to encourage its residents to become self-sufficient and thus contribute to the community to the best of their abilities.

The Authority's Strategic Goal includes the following:

- Expanding the supply of affordable housing.
- Improving the quality of existing affordable housing.
- Increasing housing choices.
- Providing an improved living environment in affordable housing.
- Promoting self-sufficiency through an increase of access and/or creating programs.
- Foster collaborations and/or partnerships with other entities to further the mission.
- To try to seek funding sources that would give the ability to start programs which are in the best interest of the residents.
- Ensuring equal opportunity and affirmatively furthering fair housing.
- Promote and support opportunities for homeownership.

It will be the Authority's continual mission to promote affordable, safe, decent, sanitary housing in good repair, economic growth opportunity and a suitable living environment free from discrimination.

Sincerely,



Guillermo Rodriguez
Chief Executive Officer

BASIC FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)**

EXHIBIT A

	LOW RENT	SECTION 8	CONGREGATE HOUSING	HOPEVI	ROSS	AHDC	2011 TOTAL	2010 TOTAL
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 545,342	\$ 1,260,107	\$ 14,001	\$ 2,802	\$ 6,199	\$ 90,717	\$ 1,919,168	\$ 986,141
Investments	168,000						168,000	168,000
Accounts Receivable, net	33,441	1,255			2,051	10,598	47,345	9,658
Interfund Receivable	39,675				65,135	19,348	124,158	80,855
Prepaid Expenses	38,189	1,539					39,728	11,705
Material Inventories	3,664						3,664	13,262
Total Current Assets	828,311	1,262,901	14,001	2,802	73,385	120,663	2,302,063	1,269,621
NON-CURRENT ASSETS								
Land, Structures and Equipment, net	11,563,945			6,078,081		244,151	17,886,177	17,201,712
Notes Receivable - Long Term	1,100,000			3,762,442			4,862,442	4,862,442
Accrued Interest Receivable	596,041	8		976,522			1,572,571	1,272,173
Total Non-Current Assets	13,259,986	8		10,817,045		244,151	24,321,190	23,336,327
TOTAL ASSETS	\$ 14,088,297	\$ 1,262,909	\$ 14,001	\$ 10,819,847	\$ 73,385	\$ 364,814	\$ 26,623,253	\$ 24,605,948
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable	\$ 164,706	\$ -	\$ 14,001	\$ 242	\$ -	\$ -	\$ 178,949	\$ 63,908
Interfund Payable	82,676	13,884			8,250	19,348	124,158	80,855
Accrued Liabilities	41,533	10,211				558	52,302	60,570
Trust Deposits		14,972					14,972	20,990
Prepaid Rents	3,979						3,979	1,081
Total Current Liabilities	292,894	39,067	14,001	242	8,250	19,906	374,360	227,404
NONCURRENT LIABILITIES								
Deferred Interest Income/Revenue	596,042			979,082	65,135		1,640,259	1,362,333
Trust Deposits - Non Current Portion		45,789					45,789	42,489
Total Noncurrent Liabilities	596,042	45,789		979,082	65,135		1,686,048	1,404,822
Total Liabilities	888,936	84,856	14,001	979,324	73,385	19,906	2,060,408	1,632,226
NET ASSETS								
Unrestricted Net Assets	1,635,416	1,178,053		3,762,442		100,757	6,676,668	5,375,130
Restricted Net Assets								396,880
Investment in Fixed Assets	11,563,945			6,078,081		244,151	17,886,177	17,201,712
Total Net Assets	13,199,361	1,178,053		9,840,523		344,908	24,562,845	22,973,722
TOTAL LIABILITIES AND NET ASSETS	\$ 14,088,297	\$ 1,262,909	\$ 14,001	\$ 10,819,847	\$ 73,385	\$ 364,814	\$ 26,623,253	\$ 24,605,948

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)**

EXHIBIT B

	LOW RENT	SECTION 8	CONGREGATE HOUSING	HOPEVI	ROSS	AHDC	2011 TOTAL	2010 TOTAL
OPERATING REVENUES								
Tenant Charges	\$ 375,765	\$ 5,147,567	\$ 5,502	\$ 129,031	\$ 375,765	\$ 401,724		
HUD Operating Grants	1,299,855	56,321			6,581,955	5,781,700		
Other Income	500,956	5,203,888			913,341	213,410		
TOTAL REVENUES	2,176,576	5,203,888	-	5,502	129,031	356,064	7,871,061	6,396,834
OPERATING EXPENSES								
Administrative Expenses	1,148,715	338,820			105,599	10,598	1,603,732	1,370,785
Tenant Services	35,739				23,432		59,171	1,071
Utilities Expenses	339,753						339,753	306,477
Ordinary Maintenance	414,389	188				558	415,135	352,965
General Expenses	178,206	25,094					203,300	191,737
Extra Ordinary Maintenance	3,126						3,126	4,536
Housing Assistance Payments	713,440	4,335,522		337,366			4,335,522	4,339,593
Depreciation Expense	2,833,368	4,699,624		337,366	129,031	11,156	1,050,806	1,511,520
TOTAL OPERATING EXPENSES	(656,792)	504,264	-	(331,864)	-	344,908	(139,484)	(1,681,850)
NON-OPERATING REVENUES AND (EXPENSES)								
Interest Income	1,009						1,009	4,462
HUD Capital Grants	1,727,598						1,727,598	812,096
TOTAL NON-OPERATING	1,728,607	-	-	-	-	-	1,728,607	816,558
CHANGES IN NET ASSETS	1,071,815	504,264	-	(331,864)	-	344,908	1,589,123	(865,292)
BEGINNING NET ASSETS	12,127,545	673,790	10,172,387	22,973,722	24,509,421	(670,407)	22,973,722	22,973,722
ENDING NET ASSETS	\$ 13,199,360	\$ 1,178,054	\$ 9,840,523	\$ 344,908	\$ 24,562,845	\$ 22,973,722	\$ 22,973,722	\$ 22,973,722

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS – ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)**

	EXHIBIT C	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 7,871,061	\$ 6,394,258
Payments to Employees	(1,068,343)	(1,075,744)
Payments to Vendors and Suppliers	(5,870,700)	(5,524,771)
Net Cash Provided by Operating Activities	932,018	(206,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Investments		
Interest on Investments	1,009	4,462
Net Cash (Used for) Investing Activities	1,009	4,462
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Grants	1,727,598	812,096
Investment in Fixed Assets	(1,727,598)	(812,096)
Net Cash (Used for) Financing Activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	933,027	(201,795)
CASH AND CASH EQUIVALENTS AT APRIL 1, 2010	986,141	1,187,936
CASH AND CASH EQUIVALENTS AT MARCH 31, 2011	\$ 1,919,168	\$ 986,141
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (139,483)	\$ (1,681,150)
Adjustments To Reconcile:		
Depreciation	1,050,806	1,511,520
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(37,687)	21,230
(Increase)/Decrease in Prepaid Expenses	(28,023)	427
(Increase)/Decrease in Material Inventories	9,598	(990)
(Increase)/Decrease in Note Receivables	-	-
(Increase)/Decrease in Accrued Interest Receivables	(300,398)	(251,034)
Increase/(Decrease) in Accounts Payable	115,040	(9,817)
Increase/(Decrease) in Accrued Liabilities	(8,268)	(26,474)
Increase/(Decrease) in Trust Deposits	(2,718)	56,983
Increase/(Decrease) in Deferred Revenue	273,151	173,048
Net Cash Provided by (Used for) Operating Activities	\$ 932,018	\$ (206,257)

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

None

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENT

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Note 1 – Organization and Program Description

The Housing Authority of the City of Muncie, Indiana (the Authority) is a municipal corporation created and organized under the Housing Authority Act of the State of Indiana to engage in the acquisition, development, leasing and administration of a low-rent housing program and other federally assisted programs.

The governing body of the Authority is its Board of Commissioners (Board) composed of five members appointed by the Mayor of the City of Muncie (City). The Board appoints an Executive Director to administer the affairs of the Authority. The Authority is not considered a component unit of the City.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and to provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; to make housing assistance payments; and to make annual contributions (subsidies) to PHAs for the purpose of maintaining the low rent character of the local housing program.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into public housing and grant programs as follows:

Low Rent Housing - The low rent-housing program is the primary operating fund of the Authority. It provides subsidized housing to low-income residents. The Authority is the owner of approximately 361 public housing units located throughout the City. The Authority receives revenue from dwelling rental income and an operating subsidy provided by HUD. "Capital Fund Grants," provided by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent program is reported as an enterprise fund.

Housing Choice Voucher Program - The Authority participates in the housing choice voucher program. This program is designed to provide privately owned decent, safe and sanitary housing to low-income families. The Authority provides assistance to low-income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the programs, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The housing choice voucher program is also reported as an enterprise fund.

Congregate Housing Program - This program assist the elderly with housekeeping, transportation and personal needs. HUD provides grants for this program. This program is also reported as a special revenue fund.

Neighborhood Network Program - The purpose of the program is to assist the public housing authority carrying out HOPE VI revitalization programs promote economic self-sufficiency for its residents.

Resident Opportunities and Self Sufficiency - (ROSS) Program - The purpose of the program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

Accounting Principles - The Authority applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

A. Reporting Entity

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

These principles define the reporting entity of the primary government, as well as its component units. Component units are separate legal organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit provides a financial benefit or impose a financial burden on the primary government. There are no component units of the Authority. The accompanying financial data present the financial statement of the Authority.

The reporting entity for the Authority includes all the funds of the Authority as the primary government.

B. Blended Component Unit

Assisted Housing Development Corporation (AHDC) is an Indiana not-for-profit corporation, whose mission is to develop, sell, own, and manage affordable housing for families and individuals. The organization primarily services the Muncie, Indiana area. The Authority has financial accountability and appoints members to the organization's board. Complete financial statements of the organization may be obtained directly from their office at 409 E. First Street, Muncie, Indiana 47302.

The Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low income and elderly persons. Most funding is provided by the United States Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

The basis criterion for including a legally separate organization as a component unit is the degree of financial accountability the Authority has with the organization.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the full accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

D. Fund Accounting

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Authority maintains the following fund types and account groups:

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Proprietary Funds - The Authority's proprietary funds are *Enterprise Funds* used to account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Enterprise Funds are used to account for the activities of the low rent and housing choice voucher programs. Under the low rent-housing program, the fund owns and operates several housing units throughout the City of Muncie, Indiana. Financing for the acquisition and rehabilitation of these properties was obtained through several HUD grants and long-term debt issues. Their operations and maintenance are funded principally through tenant rentals and federal housing assistance programs. Under the housing choice voucher program, the funds and monitors payment to privately owned housing units. Operations are funded through housing assistance payments from HUD.

Budgets - Budgets are adopted for applicable special revenue and enterprise funds on a basis consistent with accounting principles generally accepted in the United States of America. The Authority is not legally required to adopt budgets for such funds. However, the Authority has contractual requirements to adopt budgets for applicable HUD programs. All annual appropriations lapse at fiscal year-end. Multiyear appropriations for capital projects (all capital projects are currently accounted for in proprietary funds) and special revenue funds are adopted for the length of the project and/or program and are annualized for accounting purposes. Additional information on the Authority's budgetary requirements and controls is disclosed in Note 2.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Investments - Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds.

Accounts Receivable - Include amounts due from HUD for current year program operating and housing assistance subsidies earned but not received at year-end and tenant accounts receivables. These receivable may also contain un-reimbursed capital costs.

Inventories - Inventories are stated at the lower of cost or market.

Prepaid Expenditures - Payments made to vendors for services that will benefit periods beyond March 31, 2011, are recorded as prepaid items.

Fixed Assets - The Authority capitalizes fixed assets with a cost of more than \$500 and a useful life of one year or more. Proprietary fund types focus on capital maintenance. Accordingly, land, structures and equipment are recorded in the enterprise fund, which acquires such assets.

Fixed assets are stated at cost. The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Fixed assets are depreciated over their useful lives using the straight-line method of depreciation as follows:

Building	40 years
Office Furniture and Equipment	5 years
Automobiles	5 years

Notes Receivables - Notes receivables primarily consist of amounts due from developers of mixed income properties. All note receivable balances are reviewed to determine whether they are collectible. Allowance account estimates are established for receivable amounts when collection is questionable.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Compensated Absences – The Authority allows full-time, regular employees to accumulate the following compensated absences:

- a. Vacation leave is accrued per pay period, up to a maximum accrual of 240 hours. Vacation is fully vested as earned. Unused vacation leave is paid out upon termination.
- b. Sick/personal pay is granted up to a maximum accrual of 80 hours. No payout provision exists for accumulated sick/personal pay; therefore, no liability is recorded.

Non-current Liabilities – The Authority's non-current liabilities represent deferred interest income associated with certain notes receivable for new construction.

Net Assets – The difference between assets and liabilities is net assets. Net assets are subdivided into the following three categories:

Investment in capital assets, net of related debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – The component of net assets that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

Unrestricted – The difference between the assets and liabilities that is not reported in the net assets invested in capital, net of related debt or net assets restricted for federal and state programs.

Financial Information for 2010

The financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2010, from which the summarized information was derived.

Concentration of Risk

During the year ended March 31, 2011, the Authority received approximately 93 percent of its funding from HUD.

Totals - Memorandum Only Columns - Total columns on the financial statements are captioned memorandum and are present only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

Note 2 - Budget Information

The Authority is required by contractual agreements to adopt annual operating budgets for all its special revenue and enterprise funds receiving federal expenditure awards. The Chief Financial Officer on a HUD basis prepares all budgets, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Operating budgets are not prepared for capital projects, which are included in the low rent housing enterprise fund. Budgets are submitted by the Authority's Executive Director, and approved by resolutions of the Board of Commissioners.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2011**

Enterprise Funds - Low rent housing enterprise fund operating budgets are prepared for the upcoming year by the end of the current fiscal year and are approved by the Authority's Board of Commissioners and HUD. Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through period budgeting and reporting requirements.

Housing choice voucher program operating budgets is prepared for the upcoming fiscal year 90 days before the end of the current fiscal year and are approved by HUD. The Authority's Board of Commissioner approves operating expenditure budgets. Budgetary control is at the fund level (excess/deficiency) of revenues over expenditures.

Budgets for the congregate housing programs are approved for the length of the individual program or grant. Appropriations are authorized at the fund and expenditure category level, and effective budgetary control is at the fund level and achieved through the programs' or grants' periodic budgeting and reporting requirements.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of amounts maintained in commercial checking and saving accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. At March 31, 2011, cash totaled \$1,919,168, of which \$1,069,613 is unrestricted and \$849,555 is restricted. Of the restricted cash, \$103,220 is restricted for payment of liabilities and \$754,643 is restricted for Housing Assistance Payments (HAP). Below is a breakdown of the unrestricted and restricted cash:

Unrestricted Cash	\$ 1,069,613
Restricted	
Tenant Security Deposits	34,151
Section 8 HAP Equity	754,643
FSS - Escrow	<u>60,761</u>
Total Restricted Cash	<u>849,555</u>
Total Cash	<u>\$ 1,919,168</u>

Note 4 - Accounts Receivable

Accounts receivable totaled \$47,345 at March 31, 2011, and consisted of the following:

HUD	\$ 17,541
Tenants, net allowance	15,372
Accounts Receivable - Other	<u>14,432</u>
Total	<u>\$ 47,345</u>

The Authority also had Interfund Receivables totaling \$124,158 and is offset by the total Interfund Payable balance.

Ninety days after tenants move out, their delinquent accounts are sent to the Board of Commissioners for write-off approval. The amount written-off is the tenants' past due rent, move-out charges and/or sewage fees deemed uncollectible. Amounts written-off during fiscal year 2011 totaled \$12,792.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Note 5 - Investments

At March 31, 2011, investments totaled \$168,000 which consisted of certificates of deposit. The Housing Authority's investments in certificates of deposit are stated at fair value at year-end. Fair values and unrealized gain/(loss) at March 31, 2011, are summarized as follows:

Description	Book Value	Market Value	Unrealized Gain/(Loss)
Certificates of Deposits	\$ 168,000	\$ 168,000	\$ -
Total	\$ 168,000	\$ 168,000	\$ -

Category 1 – Investments are insured by the Federal Depositor Insurance Corporation and are further fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

Note 6 - Prepaid Expenses

Prepaid expenses totaled \$39,728 at March 31, 2011, which consisted of prepaid expenses.

Note 7 - Material Inventories

Material inventories totaled \$3,664 at March 31, 2011. Material inventories are stated at the lower of cost or market.

Note 8 - Land, Structures and Equipment

The changes in land, structures and equipment during the year were as follows:

	March 31, 2010	Additions and Deletions	March 31, 2011
Low Rent Housing			
Land and Structures	\$ 33,381,653	\$ (6,446,522)	\$ 26,935,131
Equipment	480,893	1,008,560	1,489,453
Construction in Progress	1,919,450	154,264	2,073,714
Less Accumulated Depreciation	(18,580,284)	5,724,012	(12,856,272)
Total Low Rent	17,201,712	440,314	17,642,026
AHDC			
Construction in Progress	-	244,151	244,151
Less Accumulated Depreciation	-	-	-
Total AHDC	-	244,151	244,151
Housing Choice Voucher			
Equipment	31,570	-	31,570
Less Accumulated Depreciation	(31,570)	-	(31,570)
Total Housing Choice Voucher	-	-	-
Total Fixed Assets	\$ 17,201,712	\$ 684,465	\$ 17,886,177

Changes in fixed assets consist of equipment purchases and capital improvements made during the audit period. Also included write down of costs previously capitalized.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Fixed assets are recorded at cost. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Depreciation expenses for 2011 totaled \$1,050,806.

The Authority had additions totaling \$1,735,271, and disposal totaling \$6,774,818, due to the demolition of Park View units, and the dispositions were over 75 percent depreciated. Construction in Progress totaled \$2,317,865 at March 31, 2011.

Note 9 – Notes Receivable

Mixed Income Financing Construction Loans:

The Authority loaned funds to developers in conjunction with a mixed income financing arrangements to build new properties. The developer agrees to designate a specific number of units for public housing throughout the Muncie, Indiana area.

Notes receivable and accrued interest receivable totaled \$4,862,442 and \$1,572,571, respectively, and are summarized as follows:

- On March 14, 2003, the Authority had loaned Millennium Place I, L.P. (an Indiana limited partnership) \$1,100,000 for 20 years at five and one-half (5.5%) percent per annum due March 13, 2023. This loan was secured by a second priority mortgage lien on the real property. Interest shall be due and payable annually subject to available cash flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Deferred interest income totaled \$596,041.
- On March 22, 2005, the Authority had loaned Millennium Place II, L.P. (an Indiana limited partnership) \$1,070,061. The loan matures in 20 years. Interest is charged at six (6.0%) percent per annum and is due at maturity on March 14, 2025. This loan was secured by a second priority mortgage lien on the real property. Interest shall be due and payable annually subject to available cash flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Deferred interest income totaled \$455,576.
- On January 5, 2006, the Authority had provided Millennium Place III, L.P. (an Indiana limited partnership) two loans in the amount of \$800,000 and \$655,236. The loans mature in 40 years. Interest is charged at 5 (5.0%) percent and one (1.0%) percent per annum and both are due at maturity on January 5, 2046. The loans were secured by a second priority mortgage lien on the real property. Interest shall be due and payable annually subject to available cash flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Deferred interest income totaled \$256,343.
- On December 6, 2006, the Authority had loaned Millennium Place IV, L.P. (an Indiana limited partnership) \$1,200,000. The loan matures in 40 years. Interest is charged at six (5.0%) percent per annum and is due at maturity on December 6, 2046. This loan was secured by a second priority mortgage lien on the real property. Interest shall be due and payable annually subject to available cash flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Deferred interest income totaled \$264,602.

Ground Lease

In March 2005, the Authority entered into a 99-year operating ground lease agreement with a developer to construct fifty-five (55) dwelling units on land owned by the Authority. The ground lease provides that the Authority shall receive \$1 per year for the entire term of the lease.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Note 10 - Accounts Payable

Accounts payable at March 31, 2011, totaled \$178,948, and consisted of:

Accounts Payable - Vendors	\$	132,323
Tenant Security Deposits		34,151
Accounts Payable - Other		<u>12,474</u>
Total	\$	<u><u>178,948</u></u>

The Authority also had Interfund Payable totaling \$124,158 and is offset by the total Interfund Receivables balance.

Note 11 - Accrued Liabilities

Accrued liabilities at March 31, 2011, totaled \$52,302, and consisted of the following:

Accrued Compensated Absences	\$	27,968
Accrued Salaries		<u>24,334</u>
Total	\$	<u><u>52,302</u></u>

Note 12 - Trust Deposits

Trust deposits at March 31, 2011, totaling \$60,761 consisted of amount due under the family self-sufficiency program, as follows:

Current	\$	14,972
Long-Term		<u>45,789</u>
Total	\$	<u><u>60,761</u></u>

Note 13 - Deferred Revenue

Deferred revenue at March 31, 2011, totaling \$1,640,259 consisted \$1,572,562 of interest earned on Notes Receivable totaling and \$67,697 in deferred income.

Due to uncertainty created by the length of time preceding payment of interest, and due to provisions of certain notes that interest payment is contingent upon the existence of surplus cash, interest earned on notes receivable has been deferred. For the year ended March 31, 2011, the cumulative amount of such deferred interest receivable was \$1,572,562.

Note 14 - Employee Benefit Plans

The Authority participates in the Public Employees' Retirement Fund of Indiana (the Plan), which is a qualified defined contribution retirement plan administered by The State of Indiana. The Plan covers all full-time employees. The maximum contribution is 13 percent of the employee's monthly salary. Participants' benefits are fully vested after ten years of participation. Participants who retire at or after age 65 with ten years of credited service are entitled to a monthly benefit at retirement.

Contributions are determined by the State of Indiana. The State requests additional payments when it determines that deficiencies exist. Assets and liabilities are carried on the State of Indiana's books and records.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

Pension expense payments requested by the State of Indiana, for the year ended March 31, 2011, totaled \$69,514; the minimum employer required contribution is 5 percent. Employees contribute 3 percent of their wages. Contributions for the year represented 5 percent of payroll. The Authority's total payroll expense was \$765,582 for the year ended March 31, 2011. The Authority made all the required contributions to the Plan.

Note 15 – Commitments and Contingencies

Loan Commitments

The Authority has entered into financing agreements with private developers to construct new mixed income properties. The Authority has agreed to provide loans to private developers to assist in the construction of new dwelling units, of which a specific number will be designated as public housing. The total loans outstanding as of March 31, 2011 were \$4,862,442.

Other Contingencies

The Authority receives financial assistance from federal governmental agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the Authority at March 31, 2011.

The Authority also has certain contingent liabilities resulting from litigations, claims, and commitments incident to the ordinary course of business. Management expects the final resolution of such contingencies will not have a material adverse affect on the financial position of the Authority at March 31, 2011.

Note 16 - Administrative Fees

The Authority receives an "Administrative Fee" as part of each of the annual contributions from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Program.

Note 17 - Allocation of Cost

The Authority allocates expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 18 – Subsequent Events

Management has performed an analysis of activities and transactions subsequent to March 31, 2011, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2011. Management has performed their analysis through November 18, 2011, the date the financial statements were issued. The Authority has not evaluated events occurring after November 18, 2011 in these financial statements.

SUPPLEMENTAL INFORMATION

Housing Authority of the City of Muncie (IND05)

MUNCIE, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14,871 Housing Choice Vouchers	14,866 Revitalization of Severely Distressed Public Housing	1 Business Activities	14,870 Resident Opportunity and Supportive Services	14,169 Housing Counseling Assistance Program	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$459,898	\$444,704	\$2,802	\$90,717	\$6,189	\$14,001		\$51,305	\$1,089,614		\$1,089,614
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted		\$754,643							\$754,643		\$754,643
114 Cash - Tenant Security Deposits	\$94,151								\$94,151		\$94,151
116 Cash - Restricted for Payment of Current Liabilities	\$494,037	\$1,260,107	\$2,802	\$90,717	\$6,189	\$14,001	\$0	\$51,305	\$1,919,168		\$60,760
100 Total Cash											\$1,919,168
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$17,541				\$2,051				\$19,592		\$19,592
124 Accounts Receivable - Other Government				\$10,598					\$10,598		\$10,598
125 Accounts Receivable - Miscellaneous	\$528								\$528		\$528
126 Accounts Receivable - Tenants	\$15,815								\$15,815		\$15,815
125.1 Allowance for Doubtful Accounts - Tenants	-\$443								-\$443		-\$443
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery		\$1,255							\$1,255		\$1,255
128.1 Allowance for Doubtful Accounts - Fraud		\$0							\$0		\$0
129 Accrued Interest Receivable		\$8						\$596,041	\$1,572,571		\$1,572,571
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$33,441	\$1,263	\$976,522	\$10,598	\$2,051	\$0	\$0	\$596,041	\$1,619,916		\$1,619,916
131 Investments - Unrestricted								\$188,000	\$188,000		\$188,000
132 Investments - Restricted											
136 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$12,746	\$1,639						\$25,443	\$35,728		\$35,728
143 Inventories	\$3,664								\$3,664		\$3,664
143.1 Allowance for Obsolete Inventories	\$0								\$0		\$0
144 Inter Program Due From				\$19,348	\$65,135			\$39,675	\$124,158		\$124,158
145 Assets Held for Sale											
150 Total Current Assets	\$543,898	\$1,282,909	\$979,324	\$120,663	\$75,385	\$14,001	\$0	\$680,464	\$3,874,634		\$3,874,634
161 Land	\$1,275,067										\$1,275,067
162 Buildings	\$12,296,216										\$12,296,216
163 Furniture, Equipment & Machinery - Dwellings	\$267,721		\$3,554,782					\$454,459	\$12,750,675		\$12,750,675
164 Furniture, Equipment & Machinery - Administration	\$128,282	\$31,570	\$180,196					\$1,095,479	\$3,822,503		\$3,822,503
165 Leasehold Improvements	\$6,459,778							\$230,669	\$1,433,487		\$1,433,487
166 Accumulated Depreciation	-\$1,537,804	-\$31,570	-\$674,732					-\$1,319,467	-\$3,562,573		-\$3,562,573
167 Construction in Progress	\$2,073,000			\$244,151					\$2,317,151		\$2,317,151
168 Infrastructure		\$0	\$3,017,835						\$3,017,835		\$3,017,835
160 Total Capital Assets, Net of Accumulated Depreciation	\$10,980,230	\$0	\$6,078,081	\$244,151	\$0	\$0	\$0	\$603,714	\$17,898,176		\$17,898,176
171 Notes, Loans and Mortgages Receivable - Non-Current			\$3,762,442					\$1,100,000	\$4,862,442		\$4,862,442
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets			\$0						\$0		\$0
176 Investments in Joint Ventures			\$9,940,523	\$244,151	\$0	\$0	\$0	\$1,703,714	\$22,748,618		\$22,748,618
180 Total Non-Current Assets	\$10,980,230	\$0	\$9,940,523	\$244,151	\$0	\$0	\$0	\$1,703,714	\$22,748,618		\$22,748,618

190 Total Assets	\$11,504,118	\$1,262,909	\$10,819,847	\$384,814	\$73,385	\$14,001	\$0	\$2,584,178	\$26,623,252	\$26,623,252
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$64,009		\$242			\$14,001		\$66,544	\$144,796	\$144,796
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$6,592	\$5,445	\$658					\$9,740	\$24,335	\$24,335
322 Accrued Compensated Absences - Current Portion	\$12,918	\$4,766						\$10,283	\$27,987	\$27,987
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government										
341 Tenant Security Deposits	\$34,151							\$34,151	\$34,151	\$34,151
342 Deferred Revenues	\$3,981		\$979,082		\$65,135			\$596,041	\$1,644,239	\$1,644,239
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds										
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other										
347 Inter Program - Due To	\$17,541	\$13,884		\$19,348	\$8,250			\$65,135	\$124,158	\$124,158
348 Loan Liability - Current										
310 Total Current Liabilities	\$141,192	\$24,095	\$979,324	\$19,906	\$73,385	\$14,001	\$0	\$747,743	\$1,999,646	\$1,999,646
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue										
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other		\$60,760							\$60,760	\$60,760
354 Accrued Compensated Absences - Non Current										
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$0	\$60,760	\$0	\$0	\$0	\$0	\$0	\$0	\$60,760	\$60,760
300 Total Liabilities	\$141,192	\$84,855	\$979,324	\$19,906	\$73,385	\$14,001	\$0	\$747,743	\$2,060,406	\$2,060,406
508.1 Invested in Capital Assets, Net of Related Debt	\$10,960,230		\$6,075,081	\$244,151				\$603,714	\$17,886,176	\$17,886,176
509.2 Fund Balance Reserved										
511.2 Unreserved, Designated Fund Balance										
511.1 Restricted Net Assets	\$754,643								\$754,643	\$754,643
512.1 Unrestricted Net Assets	\$402,696	\$423,411	\$3,762,442	\$100,757	\$0	\$0	\$0	\$1,232,721	\$5,922,027	\$5,922,027
512.2 Unreserved, Undesignated Fund Balance										
513 Total Equity/Net Assets	\$11,362,926	\$1,178,054	\$9,840,523	\$344,908	\$0	\$0	\$0	\$1,835,435	\$24,562,846	\$24,562,846
500 Total Liabilities and Equity/Net Assets	\$11,504,118	\$1,262,909	\$10,819,847	\$384,814	\$73,385	\$14,001	\$0	\$2,584,178	\$26,623,252	\$26,623,252

Housing Authority of the City of Muncie (IN005)
MUNCIE, IN

Entry Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

Project Total	14,871 Housing Choice Vouchers	14,866 Reutilization of Severely Distressed Public Housing	1 Business Activities	14,870 Resident Opportunity and Supportive Services	14,169 Housing Counseling Assistance Program	14,885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$351,682							\$351,682		\$351,682
70400 Tenant Revenue - Other	\$23,533						\$560	\$24,093		\$24,093
70500 Total Tenant Revenue	\$375,215	\$0	\$0	\$0	\$0	\$0	\$560	\$375,765	\$0	\$375,765
70600 HUD PHA Operating Grants	\$1,299,855			\$129,031				\$6,624,657		\$6,624,657
70610 Capital Grants	\$1,105,854					\$621,744	\$300,078	\$1,727,598	-\$300,079	\$1,727,598
70710 Management Fee										-\$1
70720 Asset Management Fee										
70730 Book Keeping Fee							\$28,568	\$28,568	-\$28,568	\$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$328,646	\$328,646	-\$328,647	-\$1
70800 Other Government Grants		\$5,502	\$274,500					\$280,002		\$280,002
71100 Investment Income - Unrefunded	\$136						\$1,009	\$1,145		\$1,145
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets	\$1,491							\$1,491		\$1,491
71400 Fraud Recovery										
71500 Other Revenue	\$132,759		\$81,564				\$39,552	\$253,875	-\$88,815	\$165,060
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Residued										
70000 Total Revenue	\$2,913,683	\$5,502	\$356,064	\$129,031	\$0	\$621,744	\$368,757	\$5,599,669	-\$417,262	\$9,182,407
91100 Administrative Salaries	\$160,130		\$10,568	\$49,608			\$193,467	\$574,953		\$574,953
91200 Auditing Fees	\$21,956		\$9,719				\$1,500	\$30,175		\$30,175
91300 Management Fee	\$243,538					\$95,542		\$300,080	-\$300,079	\$1
91310 Book-keeping Fee	\$28,568							\$28,568	-\$28,568	\$0
91400 Advertising and Marketing										
91500 Employee Benefit Contributions - Administrative	\$60,555		\$69,929	\$42,179			\$56,147	\$248,810		\$248,810
91600 Office Expenses	\$9,035		\$5,467				\$24,965	\$39,487		\$39,487
91700 Legal Expense							\$45,737	\$45,737		\$45,737
91800 Travel			\$536				\$4,434	\$4,970		\$4,970
91810 Allocated Overhead										
91900 Other	\$212,073		\$27,014	\$13,612			\$31,048	\$293,747	-\$89,615	\$195,132
91000 Total Operating - Administrative	\$734,855	\$0	\$10,598	\$105,699	\$0	\$56,542	\$367,318	\$1,555,527	-\$417,262	\$1,138,265
92000 Asset Management Fee										
92100 Tenant Services - Salaries			\$48,204					\$48,204		\$48,204
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other	\$35,739			\$25,432			\$0	\$59,171		\$59,171
92500 Total Tenant Services	\$35,739	\$0	\$0	\$25,432	\$0	\$0	\$0	\$107,375	\$0	\$107,375
93100 Water	\$41,802						\$1,919	\$43,721		\$43,721
93200 Electricity	\$96,725						\$18,836	\$115,561		\$115,561
93300 Gas	\$54,836						\$21,312	\$76,148		\$76,148

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 FOR THE YEAR ENDED MARCH 31, 2011**

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs - US Department of Housing and Urban Development				
<u>Direct Program</u>				
<u>Low Rent Housing Program</u>				
Low Rent Housing Programs	C - 348	14.850	\$ 1,299,855	\$ 1,105,770
Capital Fund Program	C - 348	14.872	1,105,854	1,105,854
Capital Fund Stimulus Grant	C - 348	14.885	<u>621,744</u>	<u>621,744</u>
Total Low Rent Housing Programs			3,027,453	2,833,368
<u>Housing Assistance Payment Program</u>				
Section 8 - Housing Choice Voucher Program	C - 2025	14.871	<u>5,147,567</u>	<u>4,699,624</u>
Total Housing Assistance Program Payments			5,147,567	4,699,624
Total U S Department of Housing and Urban Development (Major Programs)			<u>8,175,020</u>	<u>7,532,992</u>
Non-Major Programs				
US Department of Housing and Urban Development				
Revitalization of Severely Distressed Public Housing	C - 348	14.866	5,502	337,366
Resident Opportunities and Self Sufficiency (ROSS)	C - 348	14.870	<u>129,031</u>	<u>129,031</u>
Total U.S. Department of Housing and Urban Development (Non-Major Programs)			134,533	466,397
Total All Programs - US Department of Housing and Urban Development			<u>\$ 8,309,553</u>	<u>\$ 7,999,389</u>

See Accompanying Notes to the Schedule of Expenditure of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2011**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Muncie, Indiana (the Authority), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under programs of the federal government during the year ended March 31, 2011. The awards are classified into major and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended March 31, 2011, and should be read in conjunction with the Authority's consolidated financial statements.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and department of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

Note 3 – Type of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

The Authority did not receive any non-cash assistance from federal funds, had no federal insurance, nor have any loan or loan guarantees outstanding as of March 31, 2011.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 STATEMENT OF ACTIVITIES – RESIDENT OPPORTUNITIES AND SELF SUFFICIENCY
 FOR THE YEAR ENDED MARCH 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)**

EXHIBIT E

	2011	2010
REVENUES		
HUD Program Grants	\$ 129,031	\$ 155,940
TOTAL REVENUES	<u>129,031</u>	<u>155,940</u>
EXPENSES		
Administrative	129,031	155,940
TOTAL EXPENSES	<u>129,031</u>	<u>155,940</u>
CHANGE IN NET ASSETS	-	-
NET ASSETS AT MARCH 31, 2010	-	-
NET ASSETS AT MARCH 31, 2011	<u>\$ -</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 STATEMENT OF ACTIVITIES – BUDGET AND ACTUAL – ROSS
 FOR THE YEAR ENDED MARCH 31, 2011**

EXHIBIT F

	BUDGET	ACTUAL	VARIANCE
REVENUES			
HUD Program Grants	\$ 129,031	\$ 129,031	\$ -
TOTAL REVENUES	<u>129,031</u>	<u>129,031</u>	<u>-</u>
EXPENSES			
Administrative	<u>129,031</u>	<u>129,031</u>	<u>-</u>
TOTAL EXPENSES	<u>129,031</u>	<u>129,031</u>	<u>-</u>
CHANGE IN NET ASSETS	-	-	-
NET ASSETS AT APRIL 1, 2010	-	-	-
NET ASSETS AT MARCH 31, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED
FOR THE YEAR ENDED MARCH 31, 2011**

EXHIBIT G

**ANNUAL CONTRIBUTION CONTRACT C - 348
PHASES IN36PO10 - 501-07, 501-08, 501-09, 501-09CFGR AND 501-10**

	501-07	501-08	501-09	501-09 CFGR	501-10	Total
Funds Approved	\$ 568,680	\$ 573,772	\$ 581,948	\$ 872,488	\$ 580,766	\$ 3,177,654
Funds Expended	<u>568,680</u>	<u>573,772</u>	<u>581,948</u>	<u>621,744</u>	<u>347,325</u>	<u>2,693,469</u>
Excess\ (Deficit) of Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,744</u>	<u>\$ 233,441</u>	<u>\$ 484,185</u>
Funds Advanced	\$ 568,680	\$ 573,772	\$ 581,948	\$ 604,203	\$ 347,325	\$ 2,675,928
Funds Expended	<u>568,680</u>	<u>573,772</u>	<u>581,948</u>	<u>621,744</u>	<u>347,325</u>	<u>2,693,469</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,541)</u>	<u>\$ -</u>	<u>\$ (17,541)</u>

1 Capital Fund Program costs for Phases IN 36-501-07, IN 36-501-08, IN 36-501-09, IN 36-501-09CFGR and IN 36-501-10 are shown above.

2 Cost additions for the audit period totaled \$79,516.29 for IN 36-501-07, \$154,996 for IN 36-501-08, \$524,016 for IN 36-501-09, \$604,203 for IN 36-501-09CFGR and \$ 347,325 for IN 36-501-10, and accordingly, were audited by Velma Butler & Company Ltd.

SINGLE AUDIT REPORTS



**Report on Internal Controls Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Board of Commissioners
Housing Authority of the City of Muncie, Indiana
Muncie, Indiana

U.S. Department of Housing and Urban Development
Indianapolis Office
Public Housing Division
151 North Delaware
Indianapolis, Indiana 46204-2526

We have audited the financial statements of the business-type activities of the Housing Authority of the City of Muncie, Indiana (the Authority) as of and for the year ended March 31, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 2, 2011. 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 Standard*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, 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.

A handwritten signature in cursive script that reads "Velma Butler / Company Ltd." The signature is written in dark ink and is positioned above the printed name of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

December 2, 2011



Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Muncie, Indiana
Muncie, Indiana

U.S. Department of Housing and Urban Development
Indianapolis Office
Public Housing Division
151 North Delaware
Indianapolis, Indiana 46204-2526

Compliance

We have audited the compliance of the Housing Authority of the City of Muncie, Indiana (the Authority) 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 March 31, 2011. The Authority'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 Authority's management. Our responsibility is to express an opinion on the Authority'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 Authority'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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness over internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization 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.

A handwritten signature in cursive script that reads "Velma Butler / Company Ltd." The signature is written in dark ink and is positioned above the typed name of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

December 2, 2011

SUMMARY OF AUDITORS' RESULTS

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED MARCH 31, 2011**

Section I – Summary of Auditors' Results

Financial Statements

The type of report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No
 Deficiencies identified not considered to be material weaknesses?
 Yes None reported
 Noncompliance material to financial statements noted?
 Yes None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No
 Deficiencies identified not considered to be material weaknesses?
 Yes None reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

Identification of major program:

U.S. Department of Housing and Urban Development

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Low Rent Rental Assistance Programs	
14.850	Low Rent Housing
14.872	Capital Fund Programs
Housing Choice Voucher Housing Assistance Programs	
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? Yes No

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
SUMMARY OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED MARCH 31, 2011**

Section II – Financial Statement Findings

There were no reportable findings for the fiscal year ended March 31, 2011.

Section III – Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended March 31, 2011.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
PRIOR YEAR FINDINGS
FOR THE YEAR ENDED MARCH 31, 2011**

Section IV – Summary of Prior Year Audit Findings

There were no reportable findings for the fiscal year ended March 31, 2010.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED MARCH 31, 2011**

Compliance

Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
COMPLIANCE WITH PUBLIC HOUSING ASSESSMENT SYSTEM PROGRAM
FOR THE YEAR ENDED MARCH 31, 2011**

Compliance

Velma Butler & Company, Ltd. audited the Authority's compliance with the Public Housing Assessment System Program and did not note any material instances of noncompliance.