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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, 2011 to March 31, 2012. 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, 2012 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

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**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, 2012**

THE HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA

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**INDEPENDENT AUDITORS' REPORT**



**VELMA BUTLER & COMPANY, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MEMBER OF THE AMERICAN INSTITUTE OF CPAs

THE ILLINOIS CPA SOCIETY

### **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, 2012, 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, 2011, 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.

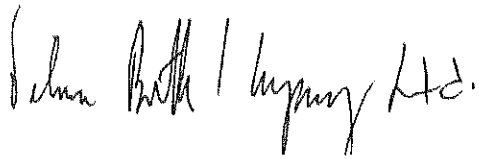
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Muncie, Indiana, as of March 31, 2012, and the respective changes in financial position and cash 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, 2012, 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, 2012, 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, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



409 E. First St.  
Muncie, IN 47302  
[www.muncieha.com](http://www.muncieha.com)

December 2, 2012

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, 2012, with selective comparison to the financial performance for the fiscal year ended March 31, 2011. 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, 2012. 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 decreased by \$1.1 million from \$24.5 million at March 31, 2011 to \$23.4 million at March 31, 2012.
- The change in net assets decreased from a profit of \$388,265 thousand in fiscal year 2011 to a deficit of \$1.1 million in fiscal year 2012. The change was due to a decrease in revenue from HUD for operating grants and loss on disposal of assets from demolition.
- Revenues decreased by \$2.6 million or 27.1% to \$7 million from \$9.6 million in 2011. Operating subsidy during the period decreased, and the Authority suffered a loss on disposal of assets from demolition.
- Expenses increased by \$119 thousand during the year, from \$8 million during 2011 to \$8.1 million during 2012. The increase occurred mainly in ordinary maintenance and was due to clean-up from the demolition of units.
- Total assets decreased \$819 thousand to \$25.8 million at March 31, 2012 from \$26.6 million at March 31, 2011. The change occurred due to a decrease in current assets and fixed assets.



- Total liabilities increased by \$312 thousand, from \$2,060 thousand at March 31, 2011 to \$2,372 thousand at March 31, 2012. This increase was primarily due to an increase in deferred revenues.

## 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, 2012 were approximately \$23.4 million, a 4.6% percent decrease from the March 31, 2011 balance of \$24.5 million.

Total assets decreased by 3.1% percent to approximately \$25.8 million. This decrease was mainly due to a decrease in land, structures, and equipment from the demolition of Park View units.

Total liabilities increased by \$312 thousand or about 15 percent from \$2,060 thousand at March 31, 2011 to \$2,372 thousand at March 31, 2012. The increase mainly occurred because of an increase in deferred interest revenue.

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

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Total Percentage Change</u>
Current Assets	\$ 2,068	\$ 2,302	\$ (234)	-10.2 %
Non-current Assets	23,736	24,321	(585)	-2.4 %
<b>Total Assets</b>	<u>25,804</u>	<u>26,623</u>	<u>\$ (819)</u>	-3.1 %
Current Liabilities	323	374	\$ (51)	-13.6 %
Non Current Liabilities	2,049	1,686	363	21.5 %
<b>Total Liabilities</b>	<u>2,372</u>	<u>2,060</u>	<u>312</u>	15.1 %
Invested in Capital Assets, Net	16,985	17,886	(901)	-5.0 %
Unrestricted	5,877	5,922	(45)	-0.8 %
Restricted Net Assets	570	755	(185)	-24.5 %
<b>Total Net Assets</b>	<u>23,432</u>	<u>24,563</u>	<u>(1,131)</u>	-4.6 %
<b>Total Liabilities and Net Assets</b>	<u>\$ 25,804</u>	<u>\$ 26,623</u>	<u>\$ (819)</u>	-3.1 %

### Change in Net Assets

Overall net assets decreased by approximately \$1.1 million or 4.6 percent at March 31, 2012. As shown in Table 2, the Authority's total operating revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income decreased by \$2.6 million or 27.1 percent, while total operating expenses increased by \$119 thousand or 1.5 percent, from approximately from \$8,010 thousand at March 31, 2011 to \$8,129 thousand at March 31, 2012.

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

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	\$ 6,999	\$ 9,600	\$ (2,601)	-27.1%
Operating Expenses	7,037	6,959	78	1.1%
Depreciation	<u>1,092</u>	<u>1,051</u>	<u>41</u>	3.9%
Total Operating Expenses	8,129	8,010	119	1.5%
Change in Net Assets	(1,130)	1,590	(2,720)	-171.1%
Total Net Assets, Beginning	24,563	22,973	1,590	6.9%
Prior Period Adjustments			-	
Total Net Assets, Ending	\$ <u>23,433</u>	\$ <u>24,563</u>	\$ <u>(1,130)</u>	-4.6%

As previously stated, operating expenses increased by approximately 1.5 percent, changes are shown below in Table 3:

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

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Total Percent Change</u>
Administrative Expenses	\$ 1,239	\$ 1,603	\$ (364)	-22.7%
Tenant Services	56	59	(3)	-5.1%
Utilities Expenses	333	340	(7)	-2.1%
Ordinary Maintenance	683	415	268	64.6%
General Expenses	288	203	85	41.9%
Extra Ordinary Maintenance	8	3	5	166.7%
Housing Assistance Payments	4,430	4,336	94	2.2%
Depreciation Expense	<u>1,092</u>	<u>1,051</u>	<u>41</u>	3.9%
<b>Total Operating Expenses</b>	\$ <u>8,129</u>	\$ <u>8,010</u>	\$ <u>119</u>	1.5%

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 decreased by \$901 thousand from \$17.9 million to \$17 million, as shown in the table below:

	<u>March 31, 2011</u>	<u>Additions and Deletions</u>	<u>March 31, 2012</u>
Land and Structures	\$ 27,403,878	\$ 886,784	\$ 28,290,662
Equipment and Furniture	1,727,008	126,475	1,853,483
Construction in Progress	2,317,865	(1,526,728)	791,137
Less Accum. Depreciation	<u>(13,562,574)</u>	<u>(387,860)</u>	<u>(13,950,434)</u>
<b>Total Fixed Assets</b>	<u>\$ 17,886,177</u>	<u>\$ (901,329)</u>	<u>\$ 16,984,848</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 and worked diligently to maintain a 98% plus occupancy rate.
- 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, disability or sexual orientation.
- The Authority followed the nondiscrimination requirements of Federal, State and Local Law.
- The Authority has successfully redeveloped the site of Parkview Apts. (now Centennial Place) through Tax Credits and the Neighborhood Stabilization Program. We have constructed 35 new affordable housing units which has created a positive impact to that community. The units are now available and leased. All residents of the former Parkview Apts. were successfully relocated by offering Housing Choice Vouchers and available Public Housing units.
- The Authority successfully acquired the building known as “Garfield Elementary School” from the Muncie School Corporation. The Authority is developing plans to make physical improvements for tenancy and office relocation to this building. The Authority’s goal with this property is to generate additional revenue to assist with the mission of the Authority.

It is the Authority’s goal to acquire or build additional units and/or developments as funding is available and the projects are feasible. 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. We will focus in future possible collaborations with educational institutions to provide opportunities to the people we serve.

The Muncie Housing Authority in keeping with its mission and that of the U.S. Department of Housing and Urban Development will continue to 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 all phases of the HOPE VI Millennium rental units. We are concentrating our efforts in changing our homeownership component to rental and/or lease to purchase options. We will continue our efforts towards the building of a community center at Heekin Park and other HOPE VI non-dwelling components.

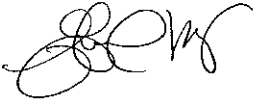
The Authority plans to be more competitive in the affordable housing market and to work towards increasing its capacity as a developer through its instrumentality. Plan for other affordable housing and identify funding potential funding sources such as Low Income Housing Tax Credits.

The Authority will continue to encourage its residents to become self-sufficient and thus contribute to the community to the best of their abilities and ultimately realize the goal of homeownership. The Authority's Strategic Goal includes the following:

- Expanding the supply of affordable housing with our Instrumentality.
- Improving the quality of existing affordable housing.
- Increasing housing choices.
- Providing an improved living environment.
- Promoting self-sufficiency through an increase of access to and/or creating programs.
- Ensuring equal opportunity and affirmatively furthering fair housing.
- Promote and support opportunities for homeownership.
- Increase staff capacity and commit to further training.

It will be the Authority's continued mission to promote affordable, safe, decent, sanitary housing in good repair, economic growth opportunity and a suitable living environment free from discrimination. We will also seek to provide educational opportunities through collaborations and/or partnerships with other entities.

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, 2012 (WITH COMPARATIVE TOTALS FOR 2011)**

EXHIBIT A

	LOW RENT	SECTION 8	CONGREGATE HOUSING	HOPE VI	ROSS	AHDC	2012 TOTAL	2011 TOTAL
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 446,281	1,015,216	14,001	2,802	5,182	135,379	\$ 1,618,861	\$ 1,919,168
Investments	168,000						168,000	168,000
Accounts Receivable, net	27,228	6,943			2,947	37,864	74,982	47,345
Interfund Receivable	78,098				65,135	19,349	162,582	124,158
Prepaid Expenses	38,449	1,781				40,230	39,728	39,728
Material Inventories	3,290					3,290		3,664
Total Current Assets	761,346	1,023,940	14,001	2,802	73,264	192,592	2,067,945	2,302,063
<b>NON CURRENT ASSETS</b>								
Land, Structures and Equipment, net	10,798,186			5,740,440		446,222	16,984,848	17,886,177
Notes Receivable - Long Term	1,100,000			3,762,442			4,862,442	4,862,442
Accrued Interest Receivable	689,323	8		1,199,618			1,888,949	1,572,571
Total Non-Current Assets	12,587,509	8	-	10,702,500	-	446,222	23,736,239	24,321,190
<b>TOTAL ASSETS</b>	<b>\$ 13,348,855</b>	<b>\$ 1,023,948</b>	<b>\$ 14,001</b>	<b>\$ 10,705,302</b>	<b>\$ 73,264</b>	<b>\$ 638,814</b>	<b>\$ 25,804,184</b>	<b>\$ 26,623,253</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable	\$ 62,531			242			\$ 62,773	\$ 178,949
Interfund Payable	65,135	43,266		23	6,906	47,252	162,582	124,158
Accrued Liabilities	65,608	20,049					85,657	52,302
Trust Deposits								14,972
Prepaid Rents	11,793						11,793	3,979
Total Current Liabilities	205,067	63,315	-	265	6,906	47,252	322,805	374,360
<b>NONCURRENT LIABILITIES</b>								
Deferred Interest Income/Revenue	689,327		14,001	1,202,179	66,358		1,971,865	1,640,259
Trust Deposits - Non Current Portion	689,327	77,091					77,091	45,789
Total Noncurrent Liabilities	894,394	77,091	14,001	1,202,179	66,358	-	2,048,956	1,686,048
Total Liabilities		140,406	14,001	1,202,444	73,264	47,252	2,371,761	2,060,408
<b>NET ASSETS</b>								
Unrestricted Net Assets	1,656,275	312,865	-	3,762,418	-	145,340	5,876,898	5,922,025
Restricted Net Assets		570,677					570,677	754,643
Investment in Fixed Assets	10,798,186	-	-	5,740,440	-	446,222	16,984,848	17,886,177
Total Net Assets	12,454,461	883,542	-	9,502,858	-	591,562	23,432,423	24,562,845
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,348,855</b>	<b>\$ 1,023,948</b>	<b>\$ 14,001</b>	<b>\$ 10,705,302</b>	<b>\$ 73,264</b>	<b>\$ 638,814</b>	<b>\$ 25,804,184</b>	<b>\$ 26,623,253</b>

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, 2012 (WITH COMPARATIVE TOTALS FOR 2011)**

	LOW RENT	SECTION 8	CONGREGATE HOUSING	HOPEVI	ROSS	AHDC	2012 TOTAL	2011 TOTAL
<b>OPERATING REVENUES</b>								
Tenant Charges	\$ 411,560						\$ 411,560	\$ 375,765
HUD Operating Grants	1,524,948	4,603,499			55,006	247,811	6,183,453	6,581,955
Other Income	57,189	28,887					333,887	913,341
<b>TOTAL REVENUES</b>	<b>1,993,697</b>	<b>4,632,386</b>	<b>-</b>	<b>-</b>	<b>55,006</b>	<b>247,811</b>	<b>6,928,900</b>	<b>7,871,061</b>
<b>OPERATING EXPENSES</b>								
Administrative Expenses	960,497	278,484		23			1,239,004	1,603,732
Tenant Services	1,016				55,006		56,022	59,171
Utilities Expenses	333,088						333,088	339,753
Ordinary Maintenance	680,480	2,299					682,779	415,135
General Expenses	258,227	28,836				1,157	288,220	203,300
Extra Ordinary Maintenance	7,798						7,798	3,126
Housing Assistance Payments	4,429,669						4,429,669	4,335,522
Depreciation Expense	754,987			337,641			1,092,628	1,050,806
<b>TOTAL OPERATING EXPENSES</b>	<b>2,996,093</b>	<b>4,739,288</b>	<b>-</b>	<b>337,664</b>	<b>55,006</b>	<b>1,157</b>	<b>8,129,208</b>	<b>8,010,545</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,002,396)</b>	<b>(106,902)</b>	<b>-</b>	<b>(337,664)</b>	<b>-</b>	<b>246,654</b>	<b>(1,200,308)</b>	<b>(139,484)</b>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>								
Interest Income	9,269						9,269	1,009
HUD Capital Grants	447,310						447,310	1,727,598
Gain/(Loss) on Disposal of Assets	(386,692)						(386,692)	-
Interfund Revenue	540,431						540,431	-
Interfund Expenses	(352,821)	(187,610)					(540,431)	-
<b>TOTAL NON-OPERATING</b>	<b>257,497</b>	<b>(187,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,887</b>	<b>1,728,607</b>
<b>CHANGES IN NET ASSETS</b>	<b>(744,899)</b>	<b>(294,512)</b>	<b>-</b>	<b>(337,664)</b>	<b>-</b>	<b>246,654</b>	<b>(1,130,421)</b>	<b>388,265</b>
<b>BEGINNING NET ASSETS</b>	<b>13,199,360</b>	<b>1,178,054</b>	<b>-</b>	<b>9,840,523</b>	<b>-</b>	<b>344,908</b>	<b>24,562,845</b>	<b>22,973,722</b>
<b>ENDING NET ASSETS</b>	<b>\$ 12,454,461</b>	<b>\$ 883,542</b>	<b>\$ -</b>	<b>\$ 9,502,859</b>	<b>\$ -</b>	<b>\$ 591,562</b>	<b>\$ 23,432,424</b>	<b>\$ 23,361,987</b>

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, 2012 (WITH COMPARATIVE TOTALS FOR 2011)**

	<b>EXHIBIT C</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 6,928,900	\$ 7,871,061
Payments to Employees	(906,713)	(1,068,343)
Payments to Vendors and Suppliers	(6,201,081)	(5,870,700)
Net Cash Provided by/(Used for) Operating Activities	(178,894)	932,018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	9,269	1,009
Net Cash Provided by/(Used for) Investing Activities	9,269	1,009
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Purchase)/Sale of Fixed Assets	(130,682)	
Capital Grants	447,310	1,727,598
Investment in Fixed Assets	(447,310)	(1,727,598)
Net Cash Provided by/(Used for) Financing Activities	(130,682)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(300,307)</b>	<b>933,027</b>
<b>CASH AND CASH EQUIVALENTS AT APRIL 1, 2011</b>	<b>1,919,168</b>	<b>986,141</b>
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2012</b>	<b>\$ 1,618,861</b>	<b>\$ 1,919,168</b>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used by Operating Activities</b>		
Operating Loss	\$ (1,200,308)	\$ (139,483)
Adjustments To Reconcile:		
Depreciation	1,092,628	1,050,806
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(66,061)	(37,687)
(Increase)/Decrease in Prepaid Expenses	(502)	(28,023)
(Increase)/Decrease in Material Inventories	374	9,598
(Increase)/Decrease in Accrued Interest Receivables	(316,378)	(300,398)
Increase/(Decrease) in Accounts Payable	(77,752)	115,040
Increase/(Decrease) in Accrued Liabilities	33,355	(8,268)
Increase/(Decrease) in Trust Deposits	16,330	(2,718)
Increase/(Decrease) in Deferred Revenue	339,420	273,151
Net Cash Provided by/(Used for) Operating Activities	\$ (178,894)	\$ 932,018
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
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, 2012**

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**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, 2012**

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**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, 2012**

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**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 unreimbursed 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, 2012, 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, 2012**

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**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 2011**

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, 2011, from which the summarized information was derived.

**Concentration of Risk**

During the year ended March 31, 2012, the Authority received approximately 85 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, 2012**

*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, 2012, cash totaled \$1,618,861, of which \$934,823 is unrestricted and \$684,038 is restricted. Of the restricted cash, \$113,361 is restricted for payment of liabilities and \$570,677 is restricted for Housing Assistance Payments (HAP). Below is a breakdown of the unrestricted and restricted cash:

Unrestricted Cash	\$	934,823
Restricted		
Tenant Security Deposits		32,869
Modernization		1,924
Section 8 HAP Equity		570,677
FSS - Escrow		78,568
Total Restricted Cash		<u>684,038</u>
Total Cash	\$	<u><u>1,618,861</u></u>

**Note 4 - Accounts Receivable**

Accounts receivable totaled \$74,982 at March 31, 2012, and consisted of the following:

HUD	\$	3,531
Tenants, net allowance		15,063
Accounts Receivable - Other		56,388
Total	\$	<u><u>74,982</u></u>

The Authority also had Interfund Receivables totaling \$162,582 and is offset by the total Interfund Payable balance of \$162,582.

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 2012 totaled \$35,399.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

**Note 5 - Investments**

At March 31, 2012, 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, 2012, are summarized as follows:

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

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 \$40,230 at March 31, 2012, which consisted of prepaid expenses.

**Note 7 - Material Inventories**

Material inventories totaled \$3,290 at March 31, 2012. 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:

	Total Authority March 31, 2011	Additions and Deletions	Total Authority March 31, 2012
Land and Structures	\$ 27,403,878	\$ 886,784	\$ 28,290,662
Equipment	1,727,008	126,475	1,853,483
Construction in Progress	2,317,865	(1,526,728)	791,137
Less Accumulated Depreciation	(13,562,574)	(387,860)	(13,950,434)
<b>Total Fixed Assets</b>	<b>\$ 17,886,177</b>	<b>(901,329)</b>	<b>\$ 16,984,848</b>

Changes in fixed assets consist of equipment purchases, disposal of assets and capital improvements made during the audit period.

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 2012 totaled \$1,085,215.

The Authority had additions totaling \$886,697, and disposal totaling \$1,400,166, due to the demolition of Park View units, and the dispositions were over 75 percent depreciated, the Authority had a loss of \$386,692 due to disposal of fixed assets. Construction in Progress totaled \$791,137 at March 31, 2012.



**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**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 \$1,888,941, 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 \$689,323.
- 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 \$547,114.
- 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 \$314,672.
- 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 \$337,832.

**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.

**Note 10 - Accounts Payable**

Accounts payable at March 31, 2012, totaled \$62,773, and consisted of:

Accounts Payable - Vendors	\$ 15,032
Tenant Security Deposits	32,869
Accounts Payable - Other	<u>14,872</u>
Total	<u>\$ 62,773</u>

The Authority also had Interfund Payable totaling \$162,582 and is offset by the total Interfund Receivables balance.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**Note 11 - Accrued Liabilities**

Accrued liabilities at March 31, 2012, totaled \$85,657, and consisted of the following:

Accrued Compensated Absences	\$	70,272
Payment In Lieu Of Taxes		<u>15,385</u>
Total	\$	<u><u>85,657</u></u>

**Note 12 - Trust Deposits**

Trust deposits at March 31, 2012, totaling \$77,091 consisted of amount due under the family self-sufficiency program, as follows:

Current Portion	\$	13,459
Long-Term Portion		<u>63,632</u>
Total	\$	<u><u>77,091</u></u>

**Note 13 - Deferred Revenue**

Deferred revenue at March 31, 2012, totaling \$1,971,865 consisted of interest earned on Notes Receivable totaling \$1,888,941 and \$82,924 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, 2012, the cumulative amount of such deferred interest receivable was \$1, 888,941 (Refer to **Note 9**).

**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.

Pension expense payments requested by the State of Indiana, for the year ended March 31, 2012, totaled \$49,514; 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 \$624,307 for the year ended March 31, 2012. The Authority made all the required contributions to the Plan.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**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, 2012 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, 2012.

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, 2012.

**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, 2012, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2012. Management has performed their analysis through December 2, 2012, the date the financial statements were issued. The Authority has not evaluated events occurring after December 2, 2012 in these financial statements.

**SUPPLEMENTAL INFORMATION**

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	14.169 Housing Counseling Assistance Program	14.865 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$411,487	\$5,182	\$365,971	\$2,802	\$135,380	\$14,001		\$1,924	\$934,823		\$934,823
112 Cash - Restricted - Modernization and Development			\$570,677						\$1,924		\$1,924
113 Cash - Other Restricted									\$570,677		\$570,677
114 Cash - Tenant Security Deposits	\$32,869		\$78,986						\$32,869		\$79,586
115 Cash - Restricted for Payment of Current Liabilities	\$444,336	\$5,182	\$1,015,216	\$2,802	\$135,380	\$14,001	\$0	\$1,924	\$1,618,861	\$0	\$1,618,861
100 Total Cash											
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$684	\$2,947						\$0	\$3,531		\$3,531
124 Accounts Receivable - Other Government					\$12,918				\$12,918		\$12,918
125 Accounts Receivable - Miscellaneous					\$24,946			\$11,581	\$36,527		\$36,527
126 Accounts Receivable - Tenants	\$15,918								\$15,918		\$15,918
126.1 Allowance for Doubtful Accounts - Tenants	\$854								\$854		\$854
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0			\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$5,942						\$6,942		\$6,942
128 Fraud Recovery			\$0						\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud			\$0						\$0		\$0
129 Accrued Interest Receivable			\$6	\$1,199,618				\$689,323	\$1,888,949		\$1,888,949
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,648	\$2,947	\$6,950	\$1,199,618	\$37,864	\$0	\$0	\$700,904	\$1,963,931	\$0	\$1,963,931
131 Investments - Unrestricted								\$168,000	\$168,000		\$168,000
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$9,954		\$1,782					\$28,494	\$40,230		\$40,230
143 Inventories	\$3,290								\$3,290		\$3,290
143.1 Allowance for Obsolete Inventories	\$0								\$0		\$0
144 Inter-Program Due From	\$470,674	\$65,135			\$19,348			\$75,089	\$633,256	-\$633,256	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$943,922	\$73,264	\$1,023,948	\$1,202,420	\$192,592	\$14,001	\$0	\$977,421	\$4,427,568	-\$633,256	\$3,794,312
161 Land	\$1,297,327							\$143,519	\$1,440,846		\$1,440,846
162 Buildings	\$19,511,642			\$6,572,617				\$765,357	\$26,849,616		\$26,849,616
163 Furniture, Equipment & Machinery - Dwellings	\$327,100								\$327,100		\$327,100
164 Furniture, Equipment & Machinery - Administration	\$167,518		\$31,570	\$180,196				\$1,147,099	\$1,526,383		\$1,526,383
165 Leasehold Improvements	\$0							\$0	\$0		\$0
166 Accumulated Depreciation	-\$11,521,325		-\$31,570	-\$1,012,373				-\$1,385,166	-\$13,950,434		-\$13,950,434
167 Construction in Progress	\$313,146				\$446,222			\$31,767	\$791,137		\$791,137
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$10,095,410	\$0	\$0	\$5,740,440	\$446,222	\$0	\$0	\$702,776	\$16,994,848	\$0	\$16,994,848
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans & Mortgages Receivable - Non-Current - Past Due											
173 Grants Receivable - Non-Current								\$1,100,000	\$4,952,442		\$4,952,442
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$10,095,410	\$0	\$0	\$9,502,862	\$446,222	\$0	\$0	\$1,802,776	\$21,647,290	\$0	\$21,647,290

190. Total Assets	\$11,039,332	\$73,264	\$1,023,948	\$10,705,302	\$638,814	\$14,001	\$0	\$2,780,197	\$26,274,858	-\$633,256	\$25,641,602
311. Bank Overdraft											
312. Accounts Payable <= 90 Days											
313. Accounts Payable >90 Days Past Due				\$241				\$15,481	\$15,732		\$15,732
321. Accrued Wage/Payroll Taxes Payable								\$14,171	\$14,171		\$14,171
322. Accrued Compensated Absences - Current Portion	\$19,021		\$20,048					\$51,202	\$70,272		\$70,272
324. Accrued Contingency Liability											
325. Accrued Interest Payable											
331. Accounts Payable - HUD PHA Programs											
332. Account Payable - PHA Projects									\$15,386		\$15,386
333. Accounts Payable - Other Government Contractors	\$15,385								\$32,869		\$32,869
341. Tenant Security Deposits	\$32,869								\$1,983,657		\$1,983,657
342. Deferred Revenues	\$11,793	\$66,358		\$1,202,179		\$14,001					
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			\$77,091						\$77,091		\$77,091
346. Accrued Liabilities - Other											
347. Inter-Program - Due To		\$6,906	\$43,266	\$23	\$47,251			\$635,810	\$633,256	-\$633,256	\$0
348. Loan Liability - Current											
310. Total Current Liabilities	\$79,088	\$73,264	\$140,406	\$1,202,443	\$47,251	\$14,001	\$0	\$1,286,000	\$2,842,433	-\$633,256	\$2,209,177
351. Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds											
352. Long-term Debt, Net of Current - Operating Borrowings											
353. Non-current Liabilities - Other											
354. Accrued Compensated Absences - Non Current											
355. Loan Liability - Non Current											
356. FASB S Liabilities											
357. Accrued Pension and OPEB Liabilities											
350. Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
360. Total Liabilities	\$79,088	\$73,264	\$140,406	\$1,202,443	\$47,251	\$14,001	\$0	\$1,286,000	\$2,842,433	-\$633,256	\$2,209,177
508.1. Invested in Capital Assets, Net of Related Debt											
509.2. Fund Balances Reserved	\$10,095,410	\$0	\$0	\$5,740,440	\$446,222	\$0	\$0	\$702,774	\$16,994,846		\$16,994,846
511.2. Unreserved, Designated Fund Balance											
511.1. Restricted Net Assets	\$0	\$0	\$570,677				\$0	\$0	\$570,677		\$570,677
512.1. Unrestricted Net Assets	\$864,854	\$0	\$312,865	\$3,782,419	\$145,341	\$0	\$0	\$791,423	\$5,876,902		\$5,876,902
512.2. Unreserved, Undesignated Fund Balance											
513. Total Equity/Net Assets	\$10,960,264	\$0	\$883,542	\$9,502,859	\$597,563	\$0	\$0	\$1,494,197	\$23,432,425	\$0	\$23,432,425
600. Total Liabilities and Equity/Net Assets	\$11,039,332	\$73,264	\$1,023,948	\$10,705,302	\$638,814	\$14,001	\$0	\$2,780,197	\$26,274,858	-\$633,256	\$25,641,602

Housing Authority of the City of Muncie (IN005)  
MUNCIE, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	14.169 Housing Counseling Assistance Program	14.865 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$382,028								\$382,028		\$382,028
70400 Tenant Revenue - Other	\$29,532								\$29,532		\$29,532
70500 Total Tenant Revenue	\$411,560	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$411,560	\$0	\$411,560
70600 HUD PHA Operating Grants	\$1,567,113	\$55,006	\$4,603,489				\$30,706		\$6,256,324		\$6,256,324
70610 Capital Grants	\$134,284						\$237,579	\$2,576	\$374,439		\$374,439
70700 Management Fee							\$410,995	\$410,995	\$410,995	-\$410,995	\$0
70720 Asset Management Fee							\$25,426	\$25,426	\$25,426	-\$25,426	\$0
70730 Book Keeping Fee							\$104,010	\$104,010	\$104,010	-\$104,010	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue							\$540,431	\$540,431	\$540,431		\$0
70800 Other Government Grants					\$237,060				\$237,060		\$237,060
71100 Investment Income - Unrestricted	\$9,289		\$178					\$3,949	\$13,396		\$13,396
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery											
71500 Other Revenue	\$39,648		\$10,359		\$10,751			\$13,593	\$11,913		\$11,913
71600 Gain or Loss on Sale of Capital Assets	-\$36,693		\$435					-\$36,693	-\$36,693		-\$36,693
72000 Investment Income - Restricted											
70000 Total Revenue	\$1,775,181	\$55,006	\$4,632,386	\$0	\$247,811	\$0	\$298,295	\$560,549	\$7,539,218	-\$540,431	\$6,998,787
91100 Administrative Salaries	\$74,568		\$169,474					\$202,241	\$435,283		\$435,283
91200 Auditing Fees	\$21,719		\$5,000					\$1,500	\$28,219		\$28,219
91300 Management Fee	\$264,837		\$115,452				\$30,706		\$410,995	-\$410,995	\$0
91310 Book-keeping Fee	\$31,822		\$72,156						\$104,010	-\$104,010	\$0
91400 Advertising and Marketing								\$554	\$554		\$554
91500 Employee Benefit Contributions - Administrative	\$36,740		\$96,602					\$91,527	\$274,869		\$274,869
91600 Office Expenses	\$16,425		\$21,222					\$388,508	\$406,155		\$406,156
91700 Legal Expenses								\$21,660	\$21,660		\$21,660
91800 Travel	\$419		\$1,494					\$27,765	\$29,668		\$29,668
91810 Allocated Overhead											
91900 Other	\$59,074		\$5,702	\$23				\$37,795	\$102,594		\$102,594
91000 Total Operating - Administrative	\$605,535	\$0	\$466,054	\$23	\$0	\$0	\$30,706	\$751,550	\$1,754,008	-\$915,005	\$1,239,003
92000 Asset Management Fee	\$25,426								\$25,426	-\$25,426	\$0
92100 Tenant Services - Salaries		\$21,469							\$21,469		\$21,469
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services		\$7,035							\$7,035		\$7,035
92400 Tenant Services - Other	\$1,016	\$26,502							\$27,518		\$27,518
92500 Total Tenant Services	\$1,016	\$55,006	\$0	\$0	\$0	\$0	\$0	\$0	\$56,022	\$0	\$56,022
93100 Water	\$32,990							\$3,104	\$36,094		\$36,094
93200 Electricity	\$79,570							\$35,775	\$115,345		\$115,345

93500 Gas	\$30,518					\$37,075	\$67,691	\$67,691
93400 Fuel								
93500 Labor								
93600 Sewer	\$1,258					\$16,701	\$109,959	\$109,959
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93900 Total Utilities	\$234,436	\$0	\$0	\$0	\$0	\$98,653	\$233,089	\$0
94100 Ordinary Maintenance and Operations - Labor	\$105,894							
94200 Ordinary Maintenance and Operations - Materials and Other	\$115,173							
94300 Ordinary Maintenance and Operations Contracts	\$2,293							
94500 Employee Benefit Contributions - Ordinary Maintenance	\$7,671							
94000 Total Maintenance	\$998,992	\$0	\$0	\$0	\$0	\$57,296	\$658,577	\$0
95100 Protective Services - Labor	\$843							
95200 Protective Services - Other Contract Costs	\$5,654							
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$6,667	\$0	\$0	\$0	\$0	\$17,535	\$24,202	\$24,202
96110 Property Insurance	\$38,588							
96120 Liability Insurance								
96130 Workers Compensation	\$4,120							
96140 All Other Insurance	\$16,578							
96100 Total Insurance Premiums	\$59,296	\$0	\$10,510	\$0	\$0	\$42,366	\$112,172	\$0
96200 Other General Expenses	\$59,309	\$2,240			\$1,156		\$61,705	\$61,705
96210 Compensated Absences	\$21,844	\$16,086				\$25,630	\$63,950	\$63,950
96300 Payments in Lieu of Taxes	\$15,385						\$15,385	\$15,385
96400 Bad debt - Tenant Rents	\$35,389						\$35,389	\$35,389
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expenses								
96900 Total Other General Expenses	\$130,937	\$0	\$16,326	\$0	\$1,156	\$25,630	\$176,049	\$176,049
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,562,395	\$55,006	\$497,229	\$23	\$1,156	\$952,030	\$3,139,545	-\$540,431
97000 Excess of Operating Revenue over Operating Expenses	\$212,786	\$0	\$4,135,157	-\$23	\$246,655	\$0	\$4,399,673	\$0
97100 Extraordinary Maintenance	\$5,681							
97200 Casualty Losses - Non-capitalized	\$2,117							
97300 Housing Assistance Payments								
97350 HAP Portability-In								
97400 Depreciation Expense	\$691,115					\$65,871	\$1,092,627	\$1,092,627
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense	\$2,251,308	\$55,006	\$4,926,898	\$337,664	\$1,156	\$1,056,901	\$8,669,639	-\$540,431
96000 Total Expenses						\$30,706	\$8,669,639	-\$540,431





**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2012**

**EXHIBIT D**

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
<b>Major Programs - US Department of Housing and Urban Development</b>				
<u>Direct Program</u>				
<u>Low Rent Housing Program</u>				
Low Rent Housing Programs	C - 348	14.850	\$ 1,524,948	\$ 1,844,703
Capital Fund Program	C - 348	14.872	179,025	179,025
Capital Fund Stimulus Grant	C - 348	14.885	<u>268,285</u>	<u>268,285</u>
Total Low Rent Housing Programs			1,972,258	2,292,013
<u>Housing Assistance Payment Program</u>				
Section 8 - Housing Choice Voucher Program	C - 2025	14.871	<u>4,603,499</u>	<u>4,926,898</u>
Total Housing Assistance Program Payments			4,603,499	4,926,898
Total U S Department of Housing and Urban Development (Major Programs)			<u>6,575,757</u>	<u>7,218,911</u>
<b>Non-Major Programs</b>				
<b>US Department of Housing and Urban Development</b>				
Revitalization of Severely Distressed Public Housing	C - 348	14.866	-	337,664
Resident Opportunities and Self Sufficiency (ROSS)	C - 348	14.870	<u>55,006</u>	<u>55,006</u>
Total U.S. Department of Housing and Urban Development (Non-Major Programs)			55,006	392,670
<b>Total All Programs - US Department of Housing and Urban Development</b>			<u>\$ 6,630,763</u>	<u>\$ 7,611,581</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, 2012**

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**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, 2012. 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, 2012, 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, 2012.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF ACTIVITIES – RESIDENT OPPORTUNITIES AND SELF SUFFICIENCY  
 FOR THE YEAR ENDED MARCH 31, 2012 (WITH COMPARATIVE TOTALS FOR 2011)**

**EXHIBIT E**

	2012	2011
<b>REVENUES</b>		
HUD Program Grants	\$ 55,006	\$ 129,031
<b>TOTAL REVENUES</b>	<u>55,006</u>	<u>129,031</u>
<b>EXPENSES</b>		
Administrative	55,006	129,031
<b>TOTAL EXPENSES</b>	<u>55,006</u>	<u>129,031</u>
<b>CHANGE IN NET ASSETS</b>	-	-
<b>NET ASSETS AT MARCH 31, 2011</b>	-	-
<b>NET ASSETS AT MARCH 31, 2012</b>	<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, 2012**

**EXHIBIT F**

	BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
HUD Program Grants	\$ 55,006	\$ 55,006	\$ -
<b>TOTAL REVENUES</b>	<u>55,006</u>	<u>55,006</u>	<u>-</u>
<b>EXPENSES</b>			
Administrative	<u>55,006</u>	<u>55,006</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<u>55,006</u>	<u>55,006</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	-	-	-
<b>NET ASSETS AT APRIL 1, 2011</b>	-	-	-
<b>NET ASSETS AT MARCH 31, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
STATEMENT OF CAPITAL FUND PROGRAM COST COMPLETED  
FOR THE YEAR ENDED MARCH 31, 2012**

**EXHIBIT G**

<b>ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO10 - 501-07, 501-08, 501-09 AND 501-09CFGR</b>
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	501-07	501-08	501-09	501-09 CFRG	Total
Funds Approved	\$ 568,680	\$ 573,772	\$ 581,948	\$ 872,488	\$ 2,596,888
Funds Expended	<u>568,680</u>	<u>573,772</u>	<u>581,948</u>	<u>872,488</u>	<u>2,596,888</u>
Excess\Deficit of Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 568,680	\$ 573,772	\$ 581,948	\$ 872,488	\$ 2,596,888
Funds Expended	<u>568,680</u>	<u>573,772</u>	<u>581,948</u>	<u>872,488</u>	<u>2,596,888</u>
Excess\Deficit of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- Capital Fund Program costs for Phases IN 36-501-07, IN 36-501-08, IN 36-501-09 and IN 36-501-09CFRG are shown above.
- Cost additions for the audit period totaled \$0 for IN 36-501-07, \$19 for IN 36-501-08, \$0 for IN 36-501-09, and \$268,285 for IN 36-501-09CFRG, and accordingly, were audited by Velma Butler & Company Ltd.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED  
 FOR THE YEAR ENDED MARCH 31, 2012

EXHIBIT H

ANNUAL CONTRIBUTION CONTRACT C - 348  
 PHASES IN36PO10 - 501-10

	501-10	Total
Funds Approved	\$ 580,766	\$ 580,766
Funds Expended	<u>543,872</u>	<u>543,872</u>
Excess\ (Deficit) of Funds Approved	<u>\$ 36,894</u>	<u>\$ 36,894</u>
Funds Advanced	\$ 543,288	\$ 543,288
Funds Expended	<u>543,872</u>	<u>543,872</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ (584)</u>	<u>\$ (584)</u>

- 1 Capital Fund Program costs for Phases IN 36-501-10 are shown above.
- 2 Cost additions for the audit period totaled \$179,006 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, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 2, 2012. 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.

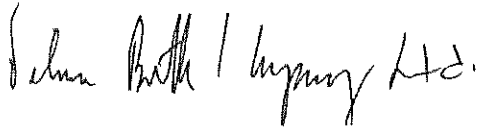
A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.".

Velma Butler & Company, Ltd.  
Chicago, Illinois

December 2, 2012



**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, 2012. 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, 2012.

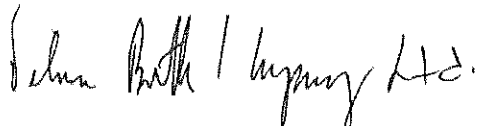
Internal Control Over Compliance

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, 2012

**SUMMARY OF AUDITORS' RESULTS**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**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
14.885	Capital Fund Stimulus Grant
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, 2012**

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**Section II – Financial Statement Findings**

There were no reportable findings for the fiscal year ended March 31, 2012.

**Section III – Federal Award Findings and Questioned Costs**

There were no reportable findings for the fiscal year ended March 31, 2012.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED MARCH 31, 2012**

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**Section IV – Summary of Prior Year Audit Findings**

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



**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2012**

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**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, 2012**

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**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.