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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, 2012 to March 31, 2013. 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, 2013 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, 2013**

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THE HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA

TABLE OF CONTENTS

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	<u>EXHIBIT</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT		1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3-8
BASIC FINANCIAL STATEMENTS:		
Statement of Net Assets - Enterprise Funds	A	9
Statement of Revenues, Expenses and Changes in Fund Net Assets - Enterprise Funds	B	10
Statement of Cash Flows - Enterprise Funds	C	11
Notes to the Financial Statements		12-20
SUPPLEMENTAL INFORMATION:		
Financial Data Schedules - REAC		21-25
Schedule of Expenditures of Federal Awards (SEFA) and Notes to the SEFA	D	26-27
Statement of Activities – Resident Opportunities and Supportive Services	E	28
Statement of Activities - Budget vs. Actual - Resident Opportunities & Supportive Services	F	29
Statement of Capital Fund Program Costs - Completed	G	30
Statement of Capital Fund Program Costs - Uncompleted	H	31
SINGLE AUDIT REPORTS:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		32-33
Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditure of Federal Awards Required by OMB Circular A-133		34-35
SUMMARY OF AUDITORS' RESULTS:		
Schedule of Findings and Questioned Costs		36
Schedule of Findings & Questioned Costs - Current Year		37
Schedule of Findings and Questioned Costs - Prior Year		38
Statement of Compliance with Section 8 Management Assessment Program		39
Statement of Compliance with Public Housing Management Assessment Program		40

**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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, which include the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Muncie, Indiana (the Authority), as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Muncie, Indiana, as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

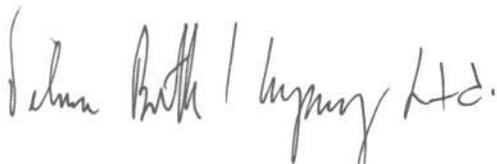
### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information such as financial data schedules and schedule of expenditures of federal awards is the responsibility of management and was derived from the relation directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013 on our consideration of the Housing Authority of the City of Muncie, Indiana (the Authority)'s internal control over financial reporting and on our tests of its 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Velma Butler & Company, Ltd.  
Chicago, Illinois

October 25, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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

December 2, 2013

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, 2013, with selective comparison to the financial performance for the fiscal year ended March 31, 2012. 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, 2013. 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 \$1.3 million from \$23.4 million at March 31, 2012 to \$22.1 million at March 31, 2013.
- The change in net assets increased from a deficit of \$1.1 million in fiscal year 2012 to a deficit of \$1.3 million in fiscal year 2013. The change was due to a decrease in revenue from HUD for operating grants.
- Revenues decreased by \$37 thousand or 0.5% to \$6.96 million from \$6.99 million in 2012. Operating subsidy during the period decreased.
- Expenses increased by \$163 thousand during the year, from \$8.1 million during 2012 to \$8.3 million during 2013. The increase occurred mainly in administrative expense and depreciation.
- Total assets decreased \$1.1 million to \$24.7 million at March 31, 2013 from \$25.8 million at March 31, 2012. The change occurred due to a decrease in current assets and fixed assets.
- Total liabilities increased by \$192 thousand, from \$2.4 million at March 31, 2012 to \$2.6 million at March 31, 2013. This increase was primarily due to an increase in deferred interest receivable.

## 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, 2013 were approximately \$22.1 million, a 5.6% percent decrease from the March 31, 2012 balance of \$23.4 million.

Total assets decreased by 4.3% percent to approximately \$24.7 million. This decrease was mainly due to depreciation.

Total liabilities increased by \$192 thousand or about 8.1 percent from \$2.4 million at March 31, 2012 to \$2.6 million at March 31, 2013. The increase mainly occurred because of an increase in deferred interest revenue.

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

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Total Percentage Change</u>
Current Assets	\$ 1,706	\$ 2,068	\$ (362)	-17.5 %
Non-current Assets	22,988	23,736	(748)	-3.2 %
<b>Total Assets</b>	<u>24,694</u>	<u>25,804</u>	<u>\$ (1,110)</u>	-4.3 %
Current Liabilities	266	323	\$ (57)	-17.6 %
Non Current Liabilities	2,298	2,049	249	12.2 %
<b>Total Liabilities</b>	<u>2,564</u>	<u>2,372</u>	<u>192</u>	8.1 %
Invested in Capital Assets, Net	15,953	16,985	(1,032)	-6.1 %
Unrestricted	5,772	5,877	(105)	-1.8 %
Restricted Net Assets	405	570	(165)	-28.9 %
<b>Total Net Assets</b>	<u>22,130</u>	<u>23,432</u>	<u>(1,302)</u>	-5.6 %
<b>Total Liabilities and Net Assets</b>	<u>\$ 24,694</u>	<u>\$ 25,804</u>	<u>\$ (1,110)</u>	-4.3 %

### Change in Net Assets

Overall net assets decreased by approximately \$1.3 million or 5.6 percent at March 31, 2013. 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 \$37 thousand or 0.5 percent, while total operating expenses increased by \$98 thousand or 1.4 percent, from approximately from \$8.1 million at March 31, 2012 to \$8.3 million at March 31, 2013.

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

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	\$ 6,962	\$ 6,999	\$ (37)	-0.5%
Operating Expenses	7,135	7,037	98	1.4%
Depreciation	1,157	1,092	65	6.0%
Total Operating Expenses	8,292	8,129	163	2.0%
Change in Net Assets	(1,330)	(1,130)	(200)	17.7%
Total Net Assets, Beginning	23,432	24,562	(1,130)	-4.6%
Prior Period Adjustments	28	28	28	
Total Net Assets, Ending	\$ <u>22,130</u>	\$ <u>23,432</u>	\$ <u>(1,302)</u>	-5.6%

As previously stated, operating expenses increased by approximately 2 percent, changes are shown below in Table 3:

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

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Total Percent Change</u>
Administrative Expenses	\$ 1,184	\$ 1,239	\$ (55)	-4.4%
Tenant Services	32	56	(24)	-42.9%
Utilities Expenses	328	333	(5)	-1.5%
Ordinary Maintenance	532	683	(151)	-22.1%
General Expenses	646	288	358	124.3%
Extra Ordinary Maintenance	61	8	53	662.5%
Housing Assistance Payments	4,352	4,430	(78)	-1.8%
Depreciation Expense	1,157	1,092	65	6.0%
<b>Total Operating Expenses</b>	\$ <u>8,292</u>	\$ <u>8,129</u>	\$ <u>163</u>	2.0%

Increases occurred in depreciation expense and general expenses. The increase in general expenses is due to an increase in activity for the component unit.

## CAPITAL ASSETS

Capital assets decreased by \$1 million from \$17 million to \$16 million, as shown in the table below:

	<u>March 31, 2012</u>	<u>Additions and Deletions</u>	<u>March 31, 2013</u>
Land and Structures	\$ 28,290,662	\$ 44,458	\$ 28,335,120
Equipment and Furniture	1,853,481	319	1,853,800
Construction in Progress	791,137	79,864	871,001
Less Accum. Depreciation	<u>(13,950,432)</u>	<u>(1,156,517)</u>	<u>(15,106,949)</u>
<b>Total Fixed Assets</b>	<u>\$ 16,984,848</u>	<u>\$ (1,031,876)</u>	<u>\$ 15,952,972</u>

The decrease in land and structures is due to depreciation, and construction in progress totaled \$871,001.

## 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.

The Authority plans to use its accumulated Replacement Housing Factor funds to build additional affordable housing units.

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, 2013 (WITH COMPARATIVE TOTALS FOR 2013)**

**EXHIBIT A**

	<b>LOW RENT</b>	<b>SECTION 8</b>	<b>CONGREGATE HOUSING</b>		<b>HOPE VI</b>	<b>ROSS</b>	<b>AHDC</b>	<b>2013 TOTAL</b>	<b>2012 TOTAL</b>
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	\$ 797,069	\$ 616,583	\$ 9,733	\$ 2,739	\$ 5,182	\$ 34,062	\$ 1,465,368	\$ 1,618,861	
Investments							-	168,000	
Accounts Receivable, net	75,475	8,816				27,246	111,537	74,982	
Interfund Receivable		71,943		40			71,983	162,582	
Prepaid Expenses	39,903	1,795					41,698	40,230	
Material Inventories	16,186						16,186	3,290	
<b>Total Current Assets</b>	<b>928,633</b>	<b>699,137</b>	<b>9,733</b>	<b>2,779</b>	<b>5,182</b>	<b>61,308</b>	<b>1,706,772</b>	<b>2,067,945</b>	
<b>NON CURRENT ASSETS</b>									
Land, Structures and Equipment, net	10,042,531			5,402,800		507,641	15,952,972	16,984,848	
Notes Receivable - Long Term	1,100,000			3,762,442			4,862,442	4,862,442	
Accrued Interest Receivable	749,823			1,422,715			2,172,538	1,888,949	
<b>Total Non-Current Assets</b>	<b>11,892,354</b>	<b>-</b>	<b>-</b>	<b>10,587,957</b>	<b>-</b>	<b>507,641</b>	<b>22,987,952</b>	<b>23,736,239</b>	
<b>TOTAL ASSETS</b>	<b>\$ 12,820,987</b>	<b>\$ 699,137</b>	<b>\$ 9,733</b>	<b>\$ 10,590,736</b>	<b>\$ 5,182</b>	<b>\$ 568,949</b>	<b>\$ 24,694,724</b>	<b>\$ 25,804,184</b>	
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	\$ 44,458			241			\$ 44,699	\$ 62,773	
Interfund Payable	61,027				5,182	5,774	71,983	162,582	
Accrued Liabilities	109,389	31,224					140,613	85,657	
Prepaid Rents	8,612						8,612	11,793	
<b>Total Current Liabilities</b>	<b>223,486</b>	<b>31,224</b>	<b>-</b>	<b>241</b>	<b>5,182</b>	<b>5,774</b>	<b>265,907</b>	<b>322,805</b>	
<b>NONCURRENT LIABILITIES</b>									
Deferred Interest Income/Revenue	800,277		9,733	1,425,276			2,235,286	1,971,865	
Trust Deposits		63,152					63,152	77,091	
<b>Total Noncurrent Liabilities</b>	<b>800,277</b>	<b>63,152</b>	<b>9,733</b>	<b>1,425,276</b>	<b>-</b>	<b>-</b>	<b>2,298,438</b>	<b>2,048,956</b>	
<b>Total Liabilities</b>	<b>1,023,763</b>	<b>94,376</b>	<b>9,733</b>	<b>1,425,517</b>	<b>5,182</b>	<b>5,774</b>	<b>2,564,345</b>	<b>2,371,761</b>	
<b>NET ASSETS</b>									
Unrestricted Net Assets	1,754,693	199,701	-	3,762,419	-	55,534	5,772,347	5,876,898	
Restricted Net Assets		405,060					405,060	570,677	
Investment in Fixed Assets	10,042,531	-	-	5,402,800	-	507,641	15,952,972	16,984,848	
<b>Total Net Assets</b>	<b>11,797,224</b>	<b>604,761</b>	<b>-</b>	<b>9,165,219</b>	<b>-</b>	<b>563,175</b>	<b>22,130,379</b>	<b>23,432,423</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,820,987</b>	<b>\$ 699,137</b>	<b>\$ 9,733</b>	<b>\$ 10,590,736</b>	<b>\$ 5,182</b>	<b>\$ 568,949</b>	<b>\$ 24,694,724</b>	<b>\$ 25,804,184</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, 2013 (WITH COMPARATIVE TOTALS FOR 2012)**

**EXHIBIT B**

	<b>LOW RENT</b>	<b>SECTION 8</b>	<b>CONGREGATE HOUSING</b>	<b>HOPE VI</b>	<b>ROSS</b>	<b>AHDC</b>	<b>TOTAL</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>								
Tenant Charges	\$ 461,306						\$ 461,306	\$ 411,560
HUD Operating Grants	1,447,827	4,603,499	4,268		27,494		6,083,088	6,183,453
Other Income	77,576	(56,356)				315,931	337,151	333,887
<b>TOTAL REVENUES</b>	<b>1,986,709</b>	<b>4,547,143</b>	<b>4,268</b>	<b>-</b>	<b>27,494</b>	<b>315,931</b>	<b>6,881,545</b>	<b>6,928,900</b>
<b>OPERATING EXPENSES</b>								
Administrative Expenses	851,617	283,076				48,951	1,183,644	1,239,004
Tenant Services	500		4,268		27,494		32,262	56,022
Utilities Expenses	327,977						327,977	333,088
Ordinary Maintenance	530,057	1,712					531,769	682,779
General Expenses	424,165	27,649				194,679	646,493	288,220
Extra Ordinary Maintenance	61,391						61,391	7,798
Housing Assistance Payments		4,352,039					4,352,039	4,429,669
Depreciation Expense	818,877			337,640			1,156,517	1,092,628
<b>TOTAL OPERATING EXPENSES</b>	<b>3,014,584</b>	<b>4,664,476</b>	<b>4,268</b>	<b>337,640</b>	<b>27,494</b>	<b>243,630</b>	<b>8,292,092</b>	<b>8,129,208</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,027,875)</b>	<b>(117,333)</b>	<b>-</b>	<b>(337,640)</b>	<b>-</b>	<b>72,301</b>	<b>(1,410,547)</b>	<b>(1,200,308)</b>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>								
Interest Income	6,321						6,321	9,269
HUD Capital Grants	74,166						74,166	447,310
Gain/(Loss) on Disposal of Assets							-	(386,692)
Interfund Revenue	502,620						502,620	540,431
Interfund Expenses	(313,158)	(189,462)					(502,620)	(540,431)
<b>TOTAL NON-OPERATING</b>	<b>269,949</b>	<b>(189,462)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,487</b>	<b>69,887</b>
<b>CHANGES IN NET ASSETS</b>	<b>(757,926)</b>	<b>(306,795)</b>	<b>-</b>	<b>(337,640)</b>	<b>-</b>	<b>72,301</b>	<b>(1,330,060)</b>	<b>(1,130,421)</b>
<b>BEGINNING NET ASSETS</b>	<b>12,454,461</b>	<b>883,542</b>		<b>9,502,859</b>		<b>591,563</b>	<b>23,432,425</b>	<b>24,562,846</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>100,689</b>	<b>28,014</b>				<b>(100,689)</b>	<b>28,014</b>	<b>-</b>
<b>ENDING NET ASSETS</b>	<b>\$ 11,797,224</b>	<b>\$ 604,761</b>	<b>\$ -</b>	<b>\$ 9,165,219</b>	<b>\$ -</b>	<b>\$ 563,175</b>	<b>\$ 22,130,379</b>	<b>\$ 23,432,425</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, 2013 (WITH COMPARATIVE TOTALS FOR 2012)**

**EXHIBIT C**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 6,881,545	\$ 6,928,900
Payments to Employees	(598,994)	(906,713)
Payments to Vendors and Suppliers	(6,587,906)	(6,201,081)
Net Cash Provided by/(Used for) Operating Activities	<u>(305,355)</u>	<u>(178,894)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in Investments	168,000	-
Interest on Investments	6,321	9,269
Net Cash Provided by/(Used for) Investing Activities	<u>174,321</u>	<u>9,269</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Purchase)/Sale of Fixed Assets	(77,861)	(130,682)
Capital Grants	74,166	447,310
Investment in Fixed Assets	(18,764)	(447,310)
Net Cash Provided by/(Used for) Financing Activities	<u>(22,459)</u>	<u>(130,682)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(153,493)</u>	<u>(300,307)</u>
<b>CASH AND CASH EQUIVALENTS AT APRIL 1, 2012</b>	1,618,861	1,919,168
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2013</b>	<u>\$ 1,465,368</u>	<u>\$ 1,618,861</u>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used by Operating Activities</b>		
Operating Loss	\$ (1,410,547)	\$ (1,200,308)
Adjustments To Reconcile:		
Depreciation	1,156,517	1,092,628
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	54,044	(66,061)
(Increase)/Decrease in Prepaid Expenses	(1,468)	(502)
(Increase)/Decrease in Material Inventories	(12,896)	374
(Increase)/Decrease in Accrued Interest Receivables	(283,589)	(316,378)
Increase/(Decrease) in Accounts Payable	(77,886)	(77,752)
Increase/(Decrease) in Accrued Liabilities	24,169	33,355
Increase/(Decrease) in Trust Deposits	(13,939)	16,330
Increase/(Decrease) in Deferred Revenue	260,240	339,420
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (305,355)</u>	<u>\$ (178,894)</u>

**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, 2013**

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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, 2013**

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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 is one component unit 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, 2013**

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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 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, 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, 2013**

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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 2012**

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, 2012, from which the summarized information was derived.

**Concentration of Risk**

During the year ended March 31, 2013, the Authority received approximately 88 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, 2013**

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*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 \$1,465,368, of which \$941,167 is unrestricted and \$524,201 is restricted. Of the restricted cash, \$119,141 is restricted for payment of liabilities and \$405,060 is restricted for Housing Assistance Payments (HAP). Below is a breakdown of the unrestricted and restricted cash:

Unrestricted Cash	\$	941,167
Restricted		
Tenant Security Deposits		37,645
Modernization		18,344
Section 8 HAP Equity		405,060
FSS - Escrow		63,152
Total Restricted Cash		<u>524,201</u>
Total Cash	\$	<u><u>1,465,368</u></u>

**Note 4 - Accounts Receivable**

Accounts receivable totaled \$111,537 at March 31, 2013, and consisted of the following:

HUD	\$	903
Tenants, net allowance		33,071
Accounts Receivable - Other		77,563
Total	\$	<u><u>111,537</u></u>

The Authority also had Interfund Receivables totaling \$71,983 and is offset by the total Interfund Payable balance of \$71,983.

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 2013 totaled \$42,268.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2013**

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**Note 5 - Prepaid Expenses**

Prepaid expenses totaled \$41,698 at March 31, 2013, which consisted of prepaid expenses.

**Note 6 - Material Inventories**

Material inventories totaled \$16,186 at March 31, 2013. Material inventories are stated at the lower of cost or market.

**Note 7 - 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	\$ 28,290,662	\$ 44,458	\$ 28,335,120
Equipment	1,853,481	319	1,853,800
Construction in Progress	791,137	79,864	871,001
Less Accumulated Depreciation	<u>(13,950,432)</u>	<u>(1,156,517)</u>	<u>(15,106,949)</u>
<b>Total Fixed Assets</b>	<b>\$ <u>16,984,848</u></b>	<b>\$ <u>(1,031,876)</u></b>	<b>\$ <u>15,952,972</u></b>

Changes in fixed assets consist of purchases, disposals and capital improvements made during the audit period, there were no disposal for the year.

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 2013 totaled \$1,156,517.

The Authority had additions totaling \$77,861, and no disposals. Construction in Progress totaled \$871,001 at March 31, 2013.

**Note 8 – 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 \$2,172,538, 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 \$787,736.
- 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 \$644,115.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2013**

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- 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 \$325,680.
- 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 \$402,944.

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 9 - Accounts Payable**

Accounts payable at March 31, 2012, totaled \$44,699, and consisted of:

Accounts Payable - Vendors	\$	6,353
Tenant Security Deposits		37,645
Accounts Payable - Other		701
Total	\$	<u>44,699</u>

The Authority also had Interfund Payable totaling \$71,983 and is offset by the total Interfund Receivables balance.

**Note 10 - Accrued Liabilities**

Accrued liabilities at March 31, 2012, totaled \$140,613, and consisted of the following:

Accrued Compensated Absences	\$	87,512
Accrued Salary and Taxes		22,314
Payment In Lieu Of Taxes		30,787
Total	\$	<u>140,613</u>

**Note 11 - Trust Deposits**

Trust deposits at March 31, 2013, totaling \$63,152 consisted of amount due under the family self-sufficiency program.

**Note 12 - Deferred Income**

Deferred revenue at March 31, 2013, totaling \$2,235,286 consisted of interest earned on Notes Receivable totaling \$2,172,538 and \$62,748 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 \$2,172,538 (Refer to **Note 8**).

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2013**

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**Note 13 – Prior Period Adjustment**

The Authority had a prior period adjustment of \$28,014 to correct the ending Housing Choice Voucher Program unrestricted net assets.

**Note 14 - Employee Benefit Plans**

The Authority provides benefits for all of its full-time employees through the Public Employee’s Retirement Fund (PERF) of Indiana, an agent multiple-employer pension plan administered by the State of Indiana Public Retirement System (IPRS) under the guidelines of GASB Statement No. 5, “Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers”. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the state and to full-time employees of those political subdivisions that elect to participate in the PERF. PERF acts as an agent for all participating governmental units. IPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.in.gov](http://www.in.gov). Employees become vested in PERF after 10 years of membership acquired through service in a governmental unit in Indiana that participates in PERF.

The Authority has elected to contribute to eligible employee’s annuity savings account (defined benefit plan). The required employee portion of 3% is paid into a defined contribution plan. The Authority also pays the employee portion. The portion that is contributed to the defined benefit plan belongs to the member and not the state or the Authority. The benefit payment obligation is transferred in total from the Authority to PERF on a quarterly basis.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
3/31/2013	\$ 47,834	100%	\$ -
3/31/2012	\$ 49,945	100%	\$ -
3/31/2011	\$ 69,514	100%	\$ -

For March 31, 2013, the Authority’s annual pension cost of \$47,834 for PERF was equal to the Authority’s required and actual contributions. Total annual payroll expense was 597,922.

**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, 2013 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, 2021.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2013**

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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, 2013.

**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, 2013, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2013. Management has performed their analysis through October 25, 2013, the date the financial statements were issued. The Authority has not evaluated events occurring after October 25, 2013 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: 03/31/2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$750,813	\$5,182	\$148,371		\$2,739	\$34,062		\$941,167		\$941,167
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted			\$405,060					\$405,060		\$405,060
114 Cash - Tenant Security Deposits	\$37,645							\$37,645		\$37,645
115 Cash - Restricted for Payment of Current Liabilities	\$8,611		\$63,152	\$9,733				\$81,496		\$81,496
100 Total Cash	\$797,069	\$5,182	\$616,583	\$9,733	\$2,739	\$34,062	\$0	\$1,465,368	\$0	\$1,465,368
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$903							\$903		\$903
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous						\$27,246	\$41,501	\$68,747		\$68,747
126 Accounts Receivable - Tenants	\$35,180							\$35,180		\$35,180
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,109							-\$2,109		-\$2,109
126.2 Allowance for Doubtful Accounts - Other	\$0					\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery			\$8,816					\$8,816		\$8,816
128.1 Allowance for Doubtful Accounts - Fraud			\$0					\$0		\$0
129 Accrued Interest Receivable					\$1,422,715		\$749,823	\$2,172,538		\$2,172,538
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$33,974	\$0	\$8,816	\$0	\$1,422,715	\$27,246	\$791,324	\$2,284,075	\$0	\$2,284,075
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$13,563		\$1,795				\$26,340	\$41,698		\$41,698
143 Inventories	\$16,186							\$16,186		\$16,186
143.1 Allowance for Obsolete Inventories	\$0							\$0		\$0
144 Inter Program Due From	\$428,347		\$71,943		\$40		\$10,956	\$511,286	-\$511,286	\$0
145 Assets Held for Sale										
150 Total Current Assets	\$1,289,139	\$5,182	\$699,137	\$9,733	\$1,425,494	\$61,308	\$828,620	\$4,318,613	-\$511,286	\$3,807,327
161 Land	\$1,297,327						\$143,519	\$1,440,846		\$1,440,846
162 Buildings	\$19,521,921				\$6,572,617		\$799,736	\$26,894,274		\$26,894,274
163 Furniture, Equipment & Machinery - Dwellings	\$327,418							\$327,418		\$327,418
164 Furniture, Equipment & Machinery - Administration	\$167,518		\$31,569		\$180,196		\$1,147,099	\$1,526,382		\$1,526,382
165 Leasehold Improvements										
166 Accumulated Depreciation	-\$12,275,398		-\$31,569		-\$1,350,013		-\$1,449,969	-\$15,106,949		-\$15,106,949
167 Construction in Progress	\$331,593					\$507,641	\$31,767	\$871,001		\$871,001
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,370,379	\$0	\$0	\$0	\$5,402,800	\$507,641	\$672,152	\$15,952,972	\$0	\$15,952,972
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										
176 Investments in Joint Ventures										

180 Total Non-Current Assets	\$9,370,379	\$0	\$0	\$0	\$9,165,242	\$507,641	\$1,772,152	\$20,815,414	\$0	\$20,815,414
190 Total Assets	\$10,659,518	\$5,182	\$699,137	\$9,733	\$10,590,736	\$568,949	\$2,600,772	\$25,134,027	-\$511,286	\$24,622,741
311 Bank Overdraft					\$241			\$241		\$241
312 Accounts Payable <= 90 Days							\$6,112	\$6,112		\$6,112
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$5,854		\$4,867				\$11,593	\$22,314		\$22,314
322 Accrued Compensated Absences - Current Portion	\$19,531		\$26,357				\$41,624	\$87,512		\$87,512
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$30,787							\$30,787		\$30,787
341 Tenant Security Deposits	\$37,645							\$37,645		\$37,645
342 Deferred Revenues	\$8,612			\$9,733	\$1,425,276		\$800,277	\$2,243,898		\$2,243,898
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							\$701	\$701		\$701
346 Accrued Liabilities - Other										
347 Inter Program - Due To		\$5,182				\$5,774	\$500,330	\$511,286	-\$511,286	\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$102,429	\$5,182	\$31,224	\$9,733	\$1,425,517	\$5,774	\$1,360,637	\$2,940,496	-\$511,286	\$2,429,210
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			\$63,152					\$63,152		\$63,152
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	\$0	\$63,152	\$0	\$0	\$0	\$0	\$63,152	\$0	\$63,152
300 Total Liabilities	\$102,429	\$5,182	\$94,376	\$9,733	\$1,425,517	\$5,774	\$1,360,637	\$3,003,648	-\$511,286	\$2,492,362
508.1 Invested In Capital Assets, Net of Related Debt	\$9,370,379				\$5,402,800	\$507,641	\$672,152	\$15,952,972		\$15,952,972
509.2 Fund Balance Reserved										
511.2 Unreserved, Designated Fund Balance										
511.1 Restricted Net Assets			\$405,060					\$405,060		\$405,060
512.1 Unrestricted Net Assets	\$1,186,710	\$0	\$199,701	\$0	\$3,762,419	\$55,534	\$567,983	\$5,772,347		\$5,772,347
512.2 Unreserved, Undesignated Fund Balance										
513 Total Equity/Net Assets	\$10,557,089	\$0	\$604,761	\$0	\$9,165,219	\$563,175	\$1,240,135	\$22,130,379	\$0	\$22,130,379
600 Total Liabilities and Equity/Net Assets	\$10,659,518	\$5,182	\$699,137	\$9,733	\$10,590,736	\$568,949	\$2,600,772	\$25,134,027	-\$511,286	\$24,622,741

Housing Authority of the City of Muncie (IN005)

MUNCIE, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$431,268							\$431,268		\$431,268
70400 Tenant Revenue - Other	\$30,038							\$30,038		\$30,038
70500 Total Tenant Revenue	\$461,306	\$0	\$0	\$0	\$0	\$0	\$0	\$461,306	\$0	\$461,306
70600 HUD PHA Operating Grants	\$1,503,229	\$27,494	\$4,508,943	\$4,268				\$6,043,934		\$6,043,934
70610 Capital Grants	\$18,764							\$18,764		\$18,764
70710 Management Fee							\$367,627	\$367,627	-\$367,627	\$0
70720 Asset Management Fee							\$35,640	\$35,640	-\$35,640	\$0
70730 Book Keeping Fee							\$99,353	\$99,353	-\$99,353	\$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$502,620	\$502,620	-\$502,620	\$0
70800 Other Government Grants						\$315,781	\$14,681	\$330,462		\$330,462
71100 Investment Income - Unrestricted	\$4,673		\$210				\$1,648	\$6,531		\$6,531
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery			\$7,006					\$7,006		\$7,006
71500 Other Revenue	\$55,555		\$30,749			\$150	\$7,340	\$93,794		\$93,794
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted			\$235					\$235		\$235
70000 Total Revenue	\$2,043,527	\$27,494	\$4,547,143	\$4,268	\$0	\$315,931	\$526,289	\$7,464,652	-\$502,620	\$6,962,032
91100 Administrative Salaries	\$82,861		\$156,457			\$8,560	\$197,454	\$445,332		\$445,332
91200 Auditing Fees	\$26,376		\$5,000			\$6,250	\$1,500	\$39,126		\$39,126
91300 Management Fee	\$251,035		\$116,592					\$367,627	-\$367,627	\$0
91310 Book-keeping Fee	\$26,483		\$72,870					\$99,353	-\$99,353	\$0
91400 Advertising and Marketing							\$2,848	\$2,848		\$2,848
91500 Employee Benefit contributions - Administrative	\$42,010		\$91,664			\$458	\$98,367	\$232,499		\$232,499
91600 Office Expenses	\$49,962		\$25,223				\$228,983	\$304,168		\$304,168
91700 Legal Expense							\$41,957	\$41,957		\$41,957
91800 Travel	\$2,494		\$2,027			\$2,815	\$23,082	\$30,418		\$30,418
91810 Allocated Overhead										
91900 Other	\$6,566		\$2,705			\$30,868	\$47,157	\$87,296		\$87,296
91000 Total Operating - Administrative	\$487,787	\$0	\$472,538	\$0	\$0	\$48,951	\$641,348	\$1,650,624	-\$466,980	\$1,183,644
92000 Asset Management Fee	\$35,640							\$35,640	-\$35,640	\$0
92100 Tenant Services - Salaries		\$27,230						\$27,230		\$27,230
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other	\$500	\$264		\$4,268				\$5,032		\$5,032
92500 Total Tenant Services	\$500	\$27,494	\$0	\$4,268	\$0	\$0	\$0	\$32,262	\$0	\$32,262
93100 Water	\$64,626						\$3,319	\$67,945		\$67,945

93200 Electricity	\$87,719							\$24,038	\$111,757		\$111,757
93300 Gas	\$31,643							\$19,035	\$50,678		\$50,678
93400 Fuel											
93500 Labor											
93600 Sewer	\$96,592							\$1,005	\$97,597		\$97,597
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93000 Total Utilities	\$280,580	\$0	\$0	\$0	\$0	\$0	\$0	\$47,397	\$327,977	\$0	\$327,977
94100 Ordinary Maintenance and Operations - Labor	\$94,109								\$94,109		\$94,109
94200 Ordinary Maintenance and Operations - Materials and Other	\$80,326							\$7,498	\$87,824		\$87,824
94300 Ordinary Maintenance and Operations Contracts	\$250,389		\$1,712					\$41,303	\$293,404		\$293,404
94500 Employee Benefit Contributions - Ordinary Maintenance	\$56,432								\$56,432		\$56,432
94000 Total Maintenance	\$481,256	\$0	\$1,712	\$0	\$0	\$0	\$0	\$48,801	\$531,769	\$0	\$531,769
95100 Protective Services - Labor								\$14,944	\$14,944		\$14,944
95200 Protective Services - Other Contract Costs	\$726							\$1,065	\$1,791		\$1,791
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	\$726	\$0	\$0	\$0	\$0	\$0	\$0	\$16,009	\$16,735	\$0	\$16,735
96110 Property Insurance	\$34,881							\$13,079	\$47,960		\$47,960
96120 Liability Insurance	\$10,582							\$3,322	\$13,904		\$13,904
96130 Workmen's Compensation	\$8,011		\$5,685					\$12,145	\$25,841		\$25,841
96140 All Other Insurance	\$7,415		\$858					\$7,151	\$15,424		\$15,424
96100 Total insurance Premiums	\$60,889	\$0	\$6,543	\$0	\$0	\$0	\$0	\$35,697	\$103,129	\$0	\$103,129
96200 Other General Expenses	\$201,123		\$1,239			\$194,679			\$397,041		\$397,041
96210 Compensated Absences	\$25,066		\$19,867					\$26,984	\$71,917		\$71,917
96300 Payments in Lieu of Taxes	\$15,403								\$15,403		\$15,403
96400 Bad debt - Tenant Rents	\$42,268								\$42,268		\$42,268
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	\$283,860	\$0	\$21,106	\$0	\$0	\$194,679		\$26,984	\$526,629	\$0	\$526,629
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	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,631,238	\$27,494	\$501,899	\$4,268	\$0	\$243,630		\$816,236	\$3,224,765	-\$502,620	\$2,722,145
97000 Excess of Operating Revenue over Operating Expenses	\$412,289	\$0	\$4,045,244	\$0	\$0	\$72,301		-\$289,947	\$4,239,887	\$0	\$4,239,887
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized	\$61,391								\$61,391		\$61,391
97300 Housing Assistance Payments			\$4,347,995						\$4,347,995		\$4,347,995
97350 HAP Portability-In			\$4,044						\$4,044		\$4,044
97400 Depreciation Expense	\$754,073				\$337,640			\$64,804	\$1,156,517		\$1,156,517
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											

90000 Total Expenses	\$2,446,702	\$27,494	\$4,853,938	\$4,268	\$337,640	\$243,630	\$881,040	\$8,794,712	-\$502,620	\$8,292,092
10010 Operating Transfer In	\$30,682							\$30,682	-\$31,452	-\$770
10020 Operating transfer Out	-\$30,682							-\$30,682	\$31,452	\$770
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$403,175	\$0	-\$306,795	\$0	-\$337,640	\$72,301	-\$354,751	-\$1,330,060	\$0	-\$1,330,060
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$10,960,264	\$0	\$883,542	\$0	\$9,502,859	\$591,563	\$1,494,197	\$23,432,425		\$23,432,425
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$28,014			-\$100,689	\$100,689	\$28,014		\$28,014
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity			\$199,701					\$199,701		\$199,701
11180 Housing Assistance Payments Equity			\$405,060					\$405,060		\$405,060
11190 Unit Months Available	4308		10213					14521		14521
11210 Number of Unit Months Leased	4275		9716					13991		13991
11270 Excess Cash	\$1,041,643							\$1,041,643		\$1,041,643
11610 Land Purchases	\$0						\$0	\$0		\$0
11620 Building Purchases	\$18,764						\$0	\$18,764		\$18,764
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0						\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0						\$0	\$0		\$0
11660 Infrastructure Purchases	\$0						\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0						\$0	\$0		\$0

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2013**

**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	\$ 1,447,827	\$ 2,940,418
Capital Fund Program	C - 348	14.885	<u>74,166</u>	<u>74,166</u>
Total Low Rent Housing Programs			1,521,993	3,014,584
<u>Housing Assistance Payment Program</u>				
Section 8 - Housing Choice Voucher Program	C - 2025	14.871	<u>4,508,943</u>	<u>4,664,476</u>
Total Housing Assistance Program Payments			4,508,943	4,664,476
Total U S Department of Housing and Urban Development (Major Programs)			<u>6,030,936</u>	<u>7,679,060</u>
<b>Non-Major Programs</b>				
<b>US Department of Housing and Urban Development</b>				
Congregate Housing Assistance Program	C - 348	14.169	4,268	4,268
Resident Opportunities and Self Sufficiency (ROSS)	C - 348	14.870	<u>27,494</u>	<u>27,494</u>
Total U.S. Department of Housing and Urban Development (Non-Major Programs)			31,762	31,762
<b>Total All Programs - US Department of Housing and Urban Development</b>			<u>\$ 6,062,698</u>	<u>\$ 7,710,822</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, 2013**

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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, 2013. 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, 2013, 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, 2013.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF ACTIVITIES – RESIDENT OPPORTUNITIES AND SELF SUFFICIENCY  
 FOR THE YEAR ENDED MARCH 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012)**

**EXHIBIT E**

	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
HUD Program Grants	\$ 27,494	\$ 55,006
<b>TOTAL REVENUES</b>	<u>27,494</u>	<u>55,006</u>
<b>EXPENSES</b>		
Administrative	27,494	55,006
<b>TOTAL EXPENSES</b>	<u>27,494</u>	<u>55,006</u>
<b>CHANGE IN NET ASSETS</b>	-	-
<b>NET ASSETS AT MARCH 31, 2012</b>	-	-
<b>NET ASSETS AT MARCH 31, 2013</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, 2013**

**EXHIBIT F**

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
HUD Program Grants	\$ 27,494	\$ 27,494	\$ -
<b>TOTAL REVENUES</b>	<u>27,494</u>	<u>27,494</u>	<u>-</u>
<b>EXPENSES</b>			
Administrative	<u>27,494</u>	<u>27,494</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<u>27,494</u>	<u>27,494</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	-	-	-
<b>NET ASSETS AT APRIL 1, 2012</b>	-	-	-
<b>NET ASSETS AT MARCH 31, 2013</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, 2013**

**EXHIBIT G**

<p><b>ANNUAL CONTRIBUTION CONTRACT C - 348                  PHASES IN36PO10 - 501-07, 501-08, 501-09 AND 501-09CFGR</b></p>
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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>				
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>				

- 1 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.
- 2 All modernization work in connection with the Capital Fund Grant has been completed;
- 3 That the entire actual modernization costs or liabilities incurred by the housing authority have been fully paid;
- 4 That there are no indischarged mechanics', laborers', contractors', or matiral-mens', leins against such modernization work on file in any public office where the same should be filled in order to be valid against such modernization work; and
- 5 That the time in which such liens could be filled has expired.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED  
 FOR THE YEAR ENDED MARCH 31, 2013**

**EXHIBIT H**

**ANNUAL CONTRIBUTION CONTRACT C - 348  
 PHASES IN36PO10 - 501-10 and 501-11**

	<b>501-10</b>	<b>501-11</b>	<b>Total</b>
Funds Approved	\$ 580,766	\$ 494,429	\$ 1,075,195
Funds Expended	<u>543,288</u>	<u>77,166</u>	<u>620,454</u>
Excess\ (Deficit) of Funds Approved	<u>\$ 37,478</u>	<u>\$ 417,263</u>	<u>\$ 454,741</u>
Funds Advanced	\$ 543,288	\$ 76,263	\$ 619,551
Funds Expended	<u>543,288</u>	<u>77,166</u>	<u>620,454</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ (903)</u>	<u>\$ (903)</u>

- 1 Capital Fund Program costs for Phases IN 36-501-10 are shown above.
- 2 Cost additions for the audit period totaled \$0 for IN 36-501-10 and \$74,166 for IN 36-501-11 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, 2013, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 25, 2013. 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 of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

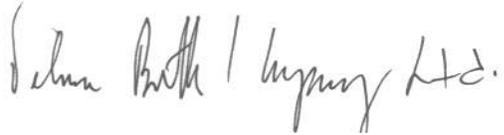
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

October 25, 2013

**Report on Compliance for Each Major Program; and Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by 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

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the City of Muncie, Indiana (the Authority)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2013.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that

could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control 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.

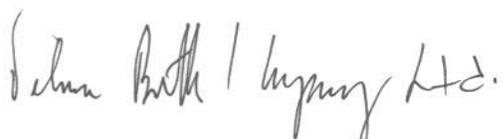
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Authority as of and for the year ended March 31, 2013, and have issued our report thereon dated October 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Velma Butler & Company, Ltd.  
Chicago, Illinois

October 25, 2013

**SUMMARY OF AUDITORS' RESULTS**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED MARCH 31, 2013**

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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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR  
FOR THE YEAR ENDED MARCH 31, 2013**

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**Section II – Financial Statement Findings**

There were no reportable findings for the fiscal year ended March 31, 2013.

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

There were no reportable findings for the fiscal year ended March 31, 2013.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR  
FOR THE YEAR ENDED MARCH 31, 2013**

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**Section IV – Financial Statement Findings**

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

**Section V – 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  
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2013**

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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, 2013**

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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.