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May 14, 2009

Board of Commissioners  
The Housing Authority of the  
City of Muncie  
402 E. 2<sup>nd</sup> St.  
Muncie, IN 47302

We have reviewed the audit report prepared by Velma Butler & Company, LTD, Independent Public Accountants, for the period April 1, 2006 to March 31, 2007. 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, 2007, 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,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION,  
INCLUDING SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED  
MARCH 31, 2007**

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

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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Housing Authority of the City of Muncie, Indiana  
Muncie, Indiana  
Public Housing Division  
151 North Delaware  
Indianapolis, Indiana 46204-2526

U.S. Department of Housing and Urban  
Development  
Indianapolis Office

We have audited the accompanying financial statements of the governmental and 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, 2007, which collectively comprise the Authority's basic financial statements as listed in the table contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

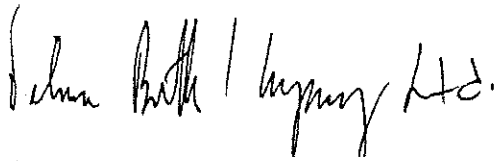
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Housing Authority of the City of Muncie, Indiana, as of March 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2007, on our consideration of the Authority's internal control structure over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In accordance with the U. S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, we have also issued our report dated November 15, 2007, on compliance with requirements applicable to each major program and internal controls over compliance. That report is an integral part of an audit performed on the expenditure of federal awards and should be considered in assessing the results of our engagement.

The management's discussion and analysis on pages 3 – 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of Muncie, Indiana basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not required part of the basic financial statements. The financial data schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Velma Butler & Company, Ltd.  
Chicago, Illinois

November 15, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Muncie Housing Authority

409 East First Street  
Muncie, Indiana 47302  
<http://www.muncieha.com>

November 15, 2007

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, 2007, with selective comparison to the financial performance for the fiscal year ended March 31, 2006. 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, 2007. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general-purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information, which complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board.

## FINANCIAL HIGHLIGHTS

- Net assets increased by \$3,544,255 for the year ended March 31, 2007. This represents an 18% increase from March 31, 2006.
- Total revenue increased \$2,791,135 or 34% primarily because of an increase in HUD capital grants.
- Total expenses increased by \$157,167 during the year, which was attributed mainly to increased housing assistance payments.
- Total assets at March 31, 2007, were \$23,895,143 compared to \$20,342,143 at March 31, 2006.
- Investments in fixed assets were \$19,225,404 at March 31, 2007, an increase of \$2,209,272 from the March 31, 2006, balance of \$17,016,132.
- Total liabilities increased slightly by \$8,244, from \$657,046 at March 31, 2006, to \$665,290, at March 31, 2007.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as an enterprise fund and a governmental fund. Operations include two separate and distinct housing activities. The governmental fund includes various client service activities. The enterprise fund includes 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.

Under the governmental fund the authority provides 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.

*Governmental Funds* are used to account for the Authority's special grant activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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, 2007 were approximately \$23.2 million, an 18 percent increase from the March 31, 2006. Predictably, total assets also increased by 17 percent to approximately \$23.9 million, due primarily to expenditures under the HOPE VI program.

Total liabilities increased slightly by about 1 percent from \$657 thousand at March 31 2006, to \$665 thousand at March 31, 2007.

Current assets decreased by 27 percent, or approximately \$325 thousand. This decrease was due principally due to a decrease in cash and cash equivalents, investments and accounts receivable.

Non-current assets increased by 20 percent or approximately \$3.9 million principally due to the expenditures as part of the HOPE VI revitalization plan.

The increase in net assets invested in capital assets, results for expenditures under the capital grant and HOPE VI programs. As construction progresses, the Authority will experience a net increase in its investment in capital assets in future periods.

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

	<u>2007</u>	<u>2006</u>	<u>Total Percentage Change</u>
Current Assets	\$ 871	\$ 1,197	-27.23 %
Non-current Assets	<u>23,024</u>	<u>19,146</u>	20.25 %
<b>Total Assets</b>	<u><u>23,895</u></u>	<u><u>20,343</u></u>	17.46 %
Total Current Liabilities	356	479	-25.68 %
Total Non Current Liabilities	<u>309</u>	<u>178</u>	73.60 %
<b>Total Liabilities</b>	665	657	1.22 %
Invested in Capital Assets, Net	19,225	17,016	12.98 %
Unrestricted	<u>4,005</u>	<u>2,669</u>	50.06 %
<b>Total Net Assets</b>	<u>23,230</u>	<u>19,685</u>	18.01 %
<b>Total Liabilities and Net Assets</b>	<u>\$ 23,895</u>	<u>\$ 20,342</u>	17.47 %

**Change in Net Assets**

Overall net assets increased by approximately \$3.5 million or 18 percent at March 31, 2007.

As shown in Table 2, the Authority's total operating revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income increased by \$2.8 million or 34 percent, while total operating expenses increased by \$157 thousand or 2 percent, from approximately \$7.4 million in 2006, to \$7.6 million at March 31, 2007.

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

	<u>2007</u>	<u>2006</u>	<u>Total Percentage Change</u>
Operating Revenues	\$ <u>10,951</u>	\$ <u>8,160</u>	34.20 %
Operating Expenses	6,400	6,239	2.58 %
Depreciation	<u>1,159</u>	<u>1,163</u>	(0.34) %
Total Operating Expenses	7,559	7,402	2.12 %
Change in Net Assets	3,392	758	347.49 %
Total Net Assets, Beginning	19,686	18,928	4.00 %
Prior Period Adjustments	<u>152</u>		
Total Net Assets, Ending	<u>\$ 23,230</u>	<u>\$ 19,686</u>	18.00 %

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>2007</u>	<u>2006</u>	<u>Total Percentage Change</u>
Administrative Expenses	\$ 1,249	\$ 1,474	(15.26) %
Tenant Services	1	2	(50.00) %
Utilities Expenses	306	305	0.33 %
Ordinary Maintenance	607	611	(0.65) %
General Expenses	188	187	0.53 %
Extra Ordinary Maintenance	9	12	(25.00) %
Housing Assistance Payments	3,939	3,648	7.98 %
Depreciation Expense	1,159	1,163	(0.34) %
<b>Total Operating Expenses</b>	<b>\$ <u>7,458</u></b>	<b>\$ <u>7,402</u></b>	<b>0.76 %</b>

#### **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.

#### **CAPITAL ASSETS**

Capital assets increased by \$2,209,272 from \$17,016,132 to \$19,225,404, as shown in the table below:

	<u>31-Mar-06</u>	<u>Additions and Deletions</u>	<u>31-Mar-07</u>
Land and Structures	\$ 26,461,494	\$	26,461,494
Equipment and Furniture	512,471		512,471
Construction in Progress	3,666,540	3,368,209	7,034,749
Less Accumulated Depreciation	(13,624,374)	(1,158,936)	(14,783,310)
<b>Total Fixed Assets</b>	<b>\$ <u>17,016,131</u></b>	<b>\$ <u>2,209,273</u></b>	<b>\$ <u>19,225,404</u></b>

The increases were attributable to expenditures in the capital grant and HOPE VI revitalization programs.

#### **MAJOR INITIATIVES**

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

- The Board of Commissioners and the staff have constantly pursued the goal to always improve the public housing management (PHAS) score.
- The Authority conducted the admissions process in a manner in which all persons interested in admission to public housing were treated fairly and consistently.

- The Authority did not discriminate at any stage of the admissions process because of race, color, national origin, religion, creed, sex, age or disability.
- The Authority followed the nondiscrimination requirements of Federal, State and Local Law.
- The Authority's Admission and Occupancy Policy and Dwelling Lease have been revised to be in compliance with Quality Housing and Work Responsibility Act of 1998 and have updated or created other necessary policies.

It was the Authority's goal to acquire or build additional units and/or developments. The Muncie Housing Authority shall continue to focus its efforts on the revitalization of older and more used housing units and seek out ways to construct new affordable housing.

The resident satisfaction survey revealed that the residents feel an increased sense of security in and around their unit. The Authority's commissioners and staff will continue to seek out ways to provide better security to the residents.

The Housing Authority of the City of Muncie, in keeping with its mission and that of the U.S. Department of Housing and Urban Development, will provide safe, decent, sanitary housing in good repair to the citizens of Muncie, Indiana.

**Future Initiatives.** The Authority will continue to provide a choice in housing recognizing that less multi-family buildings are available. During the fiscal year, the Authority has aggressively administered the HOPE VI grant for the revitalization of Munsyana Homes. The Authority has now completed Phase I, Phase II, Phase III and is almost complete with Phase IV of the HOPE VI Millennium Project rental units. We are now preparing the close out documents for the Home ownership Phase. We are concentrating our efforts to the building of the community center at Heeking Park and the possibility of a grocery store both which are HOPE VI non-dwelling components.

The Authority will continue to work on the steps necessary to revitalize the Parkview Apartments development. We will be preparing future documents for Demolition/Disposition and also researching funding possibilities for this revitalization effort to include the possibility of applying for a HOPE VI grant in 2008 if available. The Authority aims to be more competitive in the housing market and to work towards increasing its capacity as a developer of affordable housing.

The Authority is also starting the process of creating another entity to further its development needs. The Authority will continue to encourage its residents to become self-sufficient and thus contribute to the community to the best of their abilities.

The Authority's Strategic Goal includes the following:

- Expanding the supply of assisted housing.
- Improving the quality of assisted housing.
- Increasing assisted housing choices.
- Providing an improved living environment.
- Promoting self-sufficiency and asset development of assisted households.
- Ensuring equal opportunity and affirmatively further fair housing.
- Promote opportunities for homeownership.

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

Sincerely,



Executive Director

**FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF NET ASSETS  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 MARCH 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT A

	PROPRIETY FUND TYPES		GOV'T TYPE	2007 TOTAL	2006 TOTAL
	ENTERPRISE FUNDS		SPECIAL		
	LOW RENT	SECTION 8	REVENUE		
<b>ASSETS</b>					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 49,842	\$ 23,755	\$ 46,371	\$ 119,968	\$ 306,575
Investments	229,881	457,077		686,958	736,410
Accounts Receivable	33,122			33,122	88,063
Prepaid Expenses	14,129			14,129	45,802
Material Inventories	16,893			16,893	19,854
Total Current Assets	343,867	480,832	46,371	871,070	1,196,704
<u>NON CURRENT ASSETS</u>					
Capital Assets					
Land, Structures and Equipment, net	19,208,836	16,568		19,225,404	17,016,132
Notes Receivable - Long Term	3,485,932			3,485,932	1,949,450
Accrued Interest Receivable	309,461			309,461	178,306
Undistributed Debits	3,276			3,276	2,052
Total Non-Current Assets	23,007,505	16,568	0	23,024,073	19,145,940
<b>TOTAL ASSETS</b>	<b>\$ 23,351,372</b>	<b>\$ 497,400</b>	<b>\$ 46,371</b>	<b>\$ 23,895,143</b>	<b>\$ 20,342,644</b>
<b>LIABILITIES AND NET ASSETS</b>					
<u>CURRENT LIABILITIES</u>					
Accounts Payable	\$ 140,585	\$	\$	\$ 140,585	\$ 268,177
Accrued Liabilities	58,935	17,735		76,670	72,532
Trust Deposits		92,203		92,203	70,844
Deferred Revenues			46,371	46,371	52,858
Undistributed Credits					14,330
Total Current Liabilities	199,520	109,938	46,371	355,829	478,740
<u>NONCURRENT LIABILITIES</u>					
Deferred Interest Income	309,461			309,461	178,306
Total Noncurrent Liabilities	309,461	0	0	309,461	178,306
Total Liabilities	508,981	109,938	46,371	665,290	657,046
<u>NET ASSETS</u>					
Unrestricted Net Assets	3,633,555	370,894		4,004,449	2,669,466
Investment in Fixed Assets	19,208,836	16,568		19,225,404	17,016,132
Total Net Assets	22,842,391	387,462	0	23,229,853	19,685,598
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,351,372</b>	<b>\$ 497,400</b>	<b>\$ 46,371</b>	<b>\$ 23,895,143</b>	<b>\$ 20,342,644</b>

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**FOR THE YEAR ENDED MARCH 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)**

**EXHIBIT B**

	PROPRIETY FUND TYPES		GOV'T TYPES		2007 TOTAL	2006 TOTAL
	ENTERPRISE FUNDS		SPECIAL			
	LOW RENT	SECTION 8	REVENUE			
			CONGREGATE	HOUSING		
<b>OPERATING REVENUES</b>						
Tenant Charges	\$ 370,730	\$	\$	\$ 370,730	\$ 342,232	
HUD Operating Grants	1,270,361	4,284,839	74,240	5,629,440	5,597,240	
Other Income	31,785	1,812		33,597	10,741	
<b>TOTAL REVENUES</b>	<b>1,672,876</b>	<b>4,286,651</b>	<b>74,240</b>	<b>6,033,767</b>	<b>5,950,213</b>	
<b>OPERATING EXPENSES</b>						
Administrative Expenses	890,537	384,287	74,240	1,349,064	1,474,311	
Tenant Services	1,491			1,491	2,279	
Utilities Expenses	306,069			306,069	304,662	
Ordinary Maintenance	607,327			607,327	610,677	
General Expenses	184,070	4,413		188,483	187,190	
Extra Ordinary Maintenance	8,611			8,611	12,119	
Housing Assistance Payments		3,938,970		3,938,970	3,647,569	
Depreciation Expense	1,155,003	3,934		1,158,937	1,162,978	
<b>TOTAL OPERATING EXPENSES</b>	<b>3,153,108</b>	<b>4,331,604</b>	<b>74,240</b>	<b>7,558,952</b>	<b>7,401,785</b>	
<b>OPERATING INCOME (LOSS)</b>	<b>(1,480,232)</b>	<b>(44,953)</b>	<b>-</b>	<b>(1,525,185)</b>	<b>(1,451,572)</b>	
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>						
Interest Income	9,667	2,620		12,287	11,824	
HUD Capital Grants	4,904,692			4,904,692	2,197,572	
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>4,914,359</b>	<b>2,620</b>	<b>-</b>	<b>4,916,979</b>	<b>2,209,396</b>	
<b>CHANGES IN NET ASSETS</b>	<b>3,434,127</b>	<b>(42,333)</b>	<b>-</b>	<b>3,391,794</b>	<b>757,824</b>	
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>19,408,264</b>	<b>277,336</b>		<b>19,685,600</b>	<b>18,927,776</b>	
<b>PRIOR PERIOD ADJUSTMENTS</b>		<b>152,459</b>		<b>152,459</b>		
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 22,842,391</b>	<b>\$ 387,462</b>	<b>\$ -</b>	<b>\$ 23,229,853</b>	<b>\$ 19,685,600</b>	

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED MARCH 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)**

**EXHIBIT C**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 6,033,767	\$ 5,950,213
Payments to Employees	(1,262,348)	(1,392,717)
Payments to Vendors and Suppliers	(6,708,706)	(5,637,089)
Net Cash Provided by Operating Activities	<u>(1,937,287)</u>	<u>(1,079,593)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale/(Purchase) of Investments	49,452	230,489
Interest on Investments	12,287	11,824
Net Cash (Used for) Investing Activities	<u>61,739</u>	<u>242,313</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Grants	4,904,692	2,197,572
Investment in Fixed Assets	(3,215,744)	(1,361,220)
Net Cash (Used for) Financing Activities	<u>1,688,948</u>	<u>836,352</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(186,607)</u>	<u>(931)</u>
<b>CASH AND CASH EQUIVALENTS AT APRIL 1, 2006</b>	306,575	307,506
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2007</b>	<u>\$ 119,968</u>	<u>\$ 306,575</u>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used by Operating Activities</b>		
Operating Loss	\$ (1,525,185)	\$ (1,451,572)
<b>Adjustments To Reconcile:</b>		
Depreciation	1,158,937	1,162,978
<b>Changes in Assets and Liabilities</b>		
(Increase)/Decrease in Accounts Receivable	54,941	(31,856)
(Increase)/Decrease in Prepaid Expenses	31,673	(2,930)
(Increase)/Decrease in Material Inventories	2,961	1,957
(Increase)/Decrease in Note Receivables	(1,536,482)	(849,450)
(Increase)/Decrease in Accrued Interest Receivables	(131,155)	(77,631)
(Increase)/Decrease in Deferred Debits	(1,224)	
Increase/(Decrease) in Accounts Payable	(127,592)	219,636
Increase/(Decrease) in Accrued Liabilities	4,139	4,750
Increase/(Decrease) in Trust Deposits	21,359	(62,345)
Increase/(Decrease) in Deferred Revenues	(6,487)	(68,941)
Increase/(Decrease) in Other Liabilities	131,155	77,631
Increase/(Decrease) in Undistributed Credits	(14,330)	(1,820)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,937,290)</u>	<u>\$ (1,079,593)</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES**

None

See accompanying notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2007**

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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.

**Hope VI Revitalization Program** - The purpose of the program is to implement public housing transformation by changing the shape of public housing, lessening the isolation of low-income families, forging partnerships and establishing strong self-sufficiency programs for residents.

**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.

**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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

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**Note 1 - Organization and Program Description (continued)**

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

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

**B. 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.

*Governmental funds* are used to account for the Authority's special grant activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means the amount collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The Authority's governmental funds are special revenue funds that account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable major capital projects).

As of March 31, 2007, there were no significant revenues not considered measurable and available. The Authority considers all federal subsidies due at March 31, 2007, to be measurable and available and, therefore, these amounts have been accrued. Expenditures generally are recognized when an event or transaction is expected to draw upon current spendable resources.

**C. 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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

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**Note 1 - Organization and Program Description (continued)**

The Authority maintains the following fund types and account groups:

**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 361 housing units. 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 fund monitors 752 privately owned housing units. Operations are funded through housing assistance payments from HUD.

**Governmental Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted to expenditures that have specified purposes by legal grant, regulating provisions or administrative action. The congregate housing program is classified as a special revenue fund.

**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. Multi year 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, 2007, 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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

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**Note 1 - Organization and Program Description (continued)**

**Fixed Assets (continued)** - 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.

**Compensated Absences** - Vested or accumulated vacation and leave have been recorded in the financial statements.

**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 two categories: investment in fixed assets and unrestricted net assets. Each component of net assets is reported separately on the statement of net assets.

Investment in fixed assets represents the balance of land, structures, and equipment less accumulated depreciation.

The unrestricted component of net assets represents the portion remaining after the "investment in fixed assets" amounts have been determined. The Authority's positive value of unrestricted net assets may be used to meet ongoing obligations.

**Financial Information for 2005**

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, 2005, from which the summarized information was derived.

**Concentration of Risk**

During the year ended March 31, 2007, the Authority received approximately 95 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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

**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.

*Special Revenue Funds* - 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.

*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 are 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.

**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents consist of amounts maintained in commercial checking 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 \$100,000 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, 2007, cash totaled \$119,968.

**Note 4 - Investments**

At March 31, 2007, investments with maturities greater than three months totaled \$686,958. Investments consisted of saving accounts and certificates of deposits and are recorded at market value.

Investments are summarized as follows:

	<u>Category 2</u>	
	Market	Book
	Value	Value
Certificates of Deposits	\$ 219,289	\$ 219,289
Savings Accounts	<u>467,669</u>	<u>467,669</u>
Total	<u>\$ 686,958</u>	<u>\$ 686,958</u>

Category 2 - Investments were collateralized by government securities and held in the pledging financial institutions' trust department in the Authority's name.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

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**Note 5 - Accounts Receivable**

Accounts receivable totaled \$33,122 at March 31, 2007, which consisted of the following:

HUD	\$ 17,911
Tenants, net allowance	15,211
Total	<u>\$ 33,122</u>

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 2007 totaled \$21,680.

**Note 6 - Prepaid Expenses**

Prepaid expenses totaled \$14,129 at March 31, 2007, which consisted of prepaid insurance.

**Note 7 - Material Inventories**

Material inventories totaled \$16,893 at March 31, 2007. Material inventories are stated at the lower of cost or market.

**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 are summarized as follows:

- At March 31, 2007, 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 \$195,277.
- At March 31, 2007, the Authority had loaned Millennium Place II, L.P. (an Indiana limited partnership) \$849,500. The loan matures in 20 years. Interest is charged at six (6.0%) percent per annum and is due at maturity on 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 \$82,294.
- At March 31, 2007, 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 \$31,735.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

**Note 8 – Notes Receivable (continued)**

- At March 31, 2007, the Authority had loaned Millennium Place IV, L.P. (an Indiana limited partnership) \$75,402. 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 \$155.

**Note 9 - Land, Structures and Equipment**

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

	<u>March 31, 2005</u>	Additions and <u>Deletions</u>	<u>March 31, 2006</u>
<b>Low Rent Housing</b>			
Land and Structures	\$ 26,461,494	\$	26,461,494
Equipment	480,901		480,901
Construction in Progress	3,666,540	3,368,209	7,034,749
Less Accumulated Depreciation	<u>(13,613,306)</u>	<u>(1,155,002)</u>	<u>(14,768,308)</u>
<b>Total Low Rent</b>	16,995,629	2,213,207	19,208,836
<b>Housing Choice Voucher</b>			
Equipment	31,570		31,570
Less Accumulated Depreciation	<u>(11,068)</u>	<u>(3,934)</u>	<u>(15,002)</u>
<b>Total Housing Choice Voucher</b>	20,502	(3,934)	16,568
<b>Total Fixed Assets</b>	<u>\$ 17,016,132</u>	<u>\$ 2,209,273</u>	<u>\$ 19,225,404</u>

Changes in land, structures and equipment during the audit period consisted of total capital improvement costs.

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 2007 totaled \$1,158,936.

The Authority spent \$623,225 on capital improvements, and invested \$3,991,096 of Hope VI funds into the development and loans for the Millennium Place II, III and IV.

**Ground Lease**

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

**Note 10 - Accounts Payable**

Accounts payable at March 31, 2007, consisted of:

Tenant Security Deposits	\$ 43,295
Accounts Payable	96,736
Accrued Taxes Payable	554
<b>Total</b>	<u>\$ 140,585</u>

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

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**Note 11 - Accrued Liabilities**

Accrued liabilities at March 31, 2007, consisted of the following:

Accrued Compensated Absences	\$ 54,165
Accrued Salaries	<u>22,505</u>
Total	<u>\$ 76,670</u>

**Note 12 - Trust Deposits**

Trust deposits at March 31, 2007, totaling \$92,203 consisted of amount due under the family self-sufficiency program.

**Note 13 - Deferred Revenue**

Deferred revenue at March 31, 2007, totaling \$46,371 consisted of receipts in excess of expenditures for a grant program.

**Note 14 - Deferred Interest Income Receivable**

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, 2007, the cumulative amount of such deferred interest receivable was \$309,461.

**Note 15 - Employee Benefit Plans**

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

Pension expense for the year ended March 31, 2007, totaled \$61,567; the minimum employer required contribution is 5 percent. Employees contribute 3 percent of their wages. Contributions for the year represented 5 percent of payroll. The Authority's total payroll expense was \$1,203,445 for the year ended March 31, 2007. The Authority made all the required contributions to the Plan.

**Note 16 - 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, 2007 were 3,485,932.

**Operating Lease Commitments**

The Authority has several operating leases for vehicles and office equipment that expire at various dates through 2008. Those leases generally contain renewal options and require the Authority to pay all executor costs such as maintenance and insurance. Total cost for said leases was \$33,833 during 2007. As of March 31, 2007 the Authority is a party of two auto leases and once copier lease through 2008. The future minimum lease payments are estimated at \$11,615 for fiscal year 2008.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2007 continued . . .**

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**Note 16 – Commitments and Contingencies (continued)**

**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, 2007.

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, 2007.

**Note 17 - 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 18 - 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 19 – Prior Period Adjustment**

The prior period adjustment in the amount of \$152,459 represents prior year undistributed housing assistance payments recognized as equity.

**SUPPLEMENTAL INFORMATION**

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 FINANCIAL DATA SCHEDULE  
 FOR THE YEAR ENDED MARCH 31, 2007

Line Item	Acct. #	Account Descriptions	Low Rent		Capital Fund		Hope VI		Total		Congregate Housing		Section 8 Rental Voucher		Total Authority	
			14-850	14-872	14-866	14-170	14-871	14-170	14-871							
		<b>Assets</b>														
		<b>Current Assets:</b>														
		Cash:														
111.0	111101.00	General Fund Cash	\$		\$							46,371	23,655	\$	70,026	
111.0	111110.00	Modernization/Development Cash						45,595		49,442					49,442	
111.0	111700.00	Petty Cash		200						200			100		300	
111.0	111800.00	Change Fund		200						200					200	
100.0		Total Cash		400	3,847			45,595		49,842		46,371	23,755		119,968	
		Accounts Receivable:														
121.0	112500.00	Accounts Receivable - HUD						17,911		17,911					17,911	
126.0	112200.00	Accounts Receivable - Tenants		15,654						15,654					15,654	
126.1	112298.00	Allowance for Doubtful Accounts - Tenants		(443)						(443)					(443)	
129.0	117600.00	Accrued Interest Receivable		195,277				114,184		309,461					309,461	
120.0		Total receivables		210,488				132,095		342,583					342,583	
		Investments General and Security Deposits		229,881						229,881			366,751		596,633	
131.0	116600.00	Family Self Sufficiency - Voucher											90,325		90,325	
		Total Investments		229,881						229,881			457,077		686,958	
142.0	121100.00	Prepaid Insurance		14,129						14,129					14,129	
143.0	126000.00	Material Inventories		16,893						16,893					16,893	
		Total Prepaids		31,022						31,022					31,022	
150.0		<b>Total Current Assets</b>		471,792	3,847		177,689		653,328	46,371		480,832		1,180,551		
		<b>Non Current Assets:</b>														
161.0	140002.00	Land		1,416,742						1,416,742					1,416,742	
162.0	140002.00	Building		12,750,674						12,750,674					12,750,674	
164.0	147501.00	Furniture, Equipment and Machinery - Administration		480,893						480,893			31,570		512,462	
165.0	140010.00	Leasehold Improvements		12,294,087						12,294,087					12,294,087	
166.0	140005.00	Accumulated Depreciation		(14,768,308)						(14,768,308)			(15,002)		(14,783,310)	
167.0	140009.00	Construction In Progress			1,342,132		5,692,617		7,034,749						7,034,749	
		Total Fixed Assets		12,174,087	1,342,132		5,692,617		19,208,836			16,568			19,225,404	
171.0	115800.00	Notes Receivable		1,100,000			2,385,932		3,485,932						3,485,932	
175.0	169000.00	Undistributed Debits		3,276					3,276						3,276	
180.0		<b>Total Non Current Assets</b>		13,277,365	1,342,132		8,078,549		22,698,044			16,568			22,714,612	
190.0		<b>Total Assets</b>	\$	13,749,154	\$	1,345,979	\$	8,256,239	\$	23,351,372	\$	46,371	\$	497,400	\$	23,895,143

See accompanying notes to the financial statements

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 FINANCIAL DATA SCHEDULE  
 FOR THE YEAR ENDED MARCH 31, 2007

Line Item	Acct. #	Account Descriptions	Low Rent 14,850	Capital Fund 14,872	Hope VI 14,866	Total Low Rent	Congregate Housing 14,170	Section 8 Rental Voucher 14,971	Total Authority
		<b>Liabilities and Net Assets</b>							
		<b>Liabilities:</b>							
		Current Liabilities:							
312.0	211100.00	Accounts Payable - Vendors and Contractors	22,426	3,847	63,505	89,778	\$	\$	89,778
341.0	211400.00	Accounts Payable - Tenant Security Deposits	43,295			43,295			43,295
	211707.00	Accounts Payable - Blue Cross/Shield	554			554			554
345.0	211905.00	Accounts Payable - Other	6,958			6,958			6,958
		Total Current Liabilities	73,232	3,847	63,505	140,585	-	-	140,585
		Accrued Liabilities:							
322.0	213400.00	Accrued Compensated Absences	40,349			40,349		13,816	54,165
321.0	213500.00	Accrued Salaries	18,586			18,586		3,919	22,505
		Total Accrued Liabilities	58,935	-	-	58,935	-	17,735	76,670
		Trust Deposits and Liabilities:							
353.0	218200.00	FSS Escrow Section 8 Voucher						92,203	92,203
		Total Trust Deposits	-	-	-	-	-	92,203	92,203
		Deferred Credits:							
342.0	229000.00	Deferred Revenue					46,371		46,371
342.0	229000.00	Deferred Interest Receivable	195,277		114,184	309,461			309,461
		Total Deferred Credits	195,277	-	114,184	309,461	46,371	-	355,832
		Total Non Current Liabilities	254,212	-	114,184	368,396	46,371	109,938	524,705
300.0		<b>Total Liabilities</b>	327,445	3,847	177,689	508,981	46,371	109,938	665,290
		<b>Equity:</b>							
508.1	280500.00	Investment in Fixed Assets	12,174,087	1,342,132	5,692,617	19,208,836		16,568	19,225,404
512.1	280000.00	Unrestricted Net Assets	1,247,623		2,385,932	3,633,555		370,894	4,004,449
		<b>Total Equity</b>	13,421,710	1,342,132	8,078,549	22,842,391		387,462	23,229,853
		<b>Total Liabilities and Equity</b>	\$ 13,749,154	\$ 1,345,979	\$ 8,256,239	\$ 23,351,372	\$ 46,371	\$ 497,400	\$ 23,895,143

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 FINANCIAL DATA SCHEDULE  
 FOR THE YEAR ENDED MARCH 31, 2007

Line Item #	Account Descriptions	Low Rent 14,850	Capital Fund 14,872	Hope VI 14,806	Total Low Rent	Contingency Housing 14,170	Rental Voucher 14,491	Total Authority
	<b>Operating Revenues</b>	\$	\$	\$	\$	\$	\$	\$
703	3110 Dwelling Rentals	337,921			337,921			337,921
704	3510 Miscellaneous Tenant Charges and Excess Utilities	32,809			32,809			32,809
	<b>Total Tenant Revenue</b>	370,730			370,730			370,730
706	8020 HUD Operating Grants	938,098	60,996	271,267	1,270,361	74,240	4,384,839	5,629,439
706.1	8029 HUD Capital Grant		623,225	4,281,467	4,904,692			4,904,692
711	3610 Interest on Investments	9,667			9,667		2,620	12,288
714	3300.0 Fraud Recovery						1,572	
715	3690 Other Income	31,785			31,785		240	32,025
700	<b>Total Operating Revenues</b>	1,330,280	684,221	4,552,734	6,567,235	74,240	4,389,271	10,950,745
	<b>Operating Expenses</b>							
911	4110 Administrative Salaries	345,497			345,497		215,419	560,916
915	4510 Employee Benefit Contribution	137,642			137,642		125,051	262,693
912	4170 Accounting and Auditing	13,590			13,590		10,570	24,160
916	4190 Other Operating - Administrative Expenses	122,541		271,267	393,808		33,247	427,055
	<b>Total Administrative Expenses</b>	619,269		271,267	890,537		384,287	1,274,824
924	4220 Recreation, Publications and Other Services	1,491			1,491	74,240		75,731
	<b>Total Tenant Services</b>	1,491			1,491	74,240		75,731
931	4310 Water	35,988			35,988			35,988
932	4320 Electricity	84,880			84,880			84,880
933	4330 Gas	107,087			107,087			107,087
938	4390 Other Utilities Expenses	78,115			78,115			78,115
	<b>Total Utilities</b>	306,069			306,069			306,069
941	4410 Ordinary Maintenance and Operation - Labor	313,072			313,072			313,072
945	4510 Employee Benefit Contribution - Ordinary Maintenance	125,903			125,903			125,903
942	4420 Ordinary Maintenance and Operations - Materials and Others	73,792			73,792			73,792
943	4430 Ordinary Maintenance and Operations - Contracts Costs	94,560			94,560			94,560
	<b>Total Ordinary Maintenance and Materials</b>	607,327			607,327			607,327
961	4510 Insurance	130,734			130,734			130,734
964	4570 Bad Debts - Collection Losses	21,680			21,680			21,680
962	4590 Other General Expenses	31,656			31,656		4,413	36,069
	<b>Total General Expenses</b>	184,070			184,070		4,413	188,483
971	4610 Extraordinary Maintenance - Contractor Costs	8,611			8,611			8,611
973	4715 House Assistance Payments						3,938,970	3,938,970
974	5800 Depreciation Expense	1,155,403			1,155,403		3,934	1,159,337
	<b>Total Other</b>	1,163,614			1,163,614		3,942,904	5,106,517
900	<b>Total Operating Expenses</b>	2,881,841		271,267	3,153,108	74,240	4,331,604	7,558,951
	Transfers	60,996	(60,996)		0			0
	<b>Net Income</b>	\$ (1,470,565)	\$ 623,225	\$ 4,281,467	\$ 3,434,127	\$ -	\$ (42,333)	\$ 3,391,794

See accompanying notes to the financial statements

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED MARCH 31, 2007

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION OR AWARD CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
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**Major Programs - U S Department of Housing and Urban Development**

Direct Program

Low Rent Housing Program

Low Rent Housing Programs	C - 348	14.850	\$ 938,098	\$ 2,881,841
Revitalization of Severely Distressed Public Housing	C - 348	14.866	4,552,734	4,552,734
Capital Fund Program	C - 348	14.872	<u>684,221</u>	<u>684,221</u>
Total Low Rent Housing Programs			6,175,053	8,118,796

Housing Assistance Payment Program

Section 8 - Housing Choice Voucher Program	C - 2025	14.871	<u>4,248,839</u>	<u>4,331,604</u>
Total Housing Assistance Program Payments			4,248,839	4,331,604

Total U S Department of Housing and Urban  
 Development (Major Programs)

10,423,892      12,450,400

**Non-Major Programs**

**U S Department of Housing and Urban Development**

Congregate Housing Grant	C - 348	14.170	<u>74,240</u>	<u>72,240</u>
Total U.S. Department of Housing and Urban Development (Non-Major Programs)			74,240	72,240
<b>Total All Programs - U S Department of Housing and Urban Development</b>			<u>\$ 10,498,132</u>	<u>\$ 12,522,640</u>

**Note 1 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Housing Authority of the City of Muncie, Indiana and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying notes for the financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF ACTIVITIES  
 ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT E

	2007	2006
<b>REVENUES</b>		
HUD Program Grants	\$ 72,240	\$ 43,295
<b>TOTAL REVENUES</b>	<u>72,240</u>	<u>43,295</u>
<b>EXPENSES</b>		
Administrative	72,240	43,295
Drug Prevention		
<b>TOTAL EXPENSES</b>	<u>72,240</u>	<u>43,295</u>
<b>CHANGE IN NET ASSETS</b>	0	0
<b>NET ASSETS AT MARCH 31, 2007</b>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF ACTIVITIES  
 BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS - ALL FUND TYPES AND ACCOUNT GROUPS  
 FOR THE YEAR ENDED MARCH 31, 2007 EXHIBIT F

	BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
HUD Program Grants	\$ 74,240	\$ 74,240	\$ 0
TOTAL REVENUES	<u>74,240</u>	<u>74,240</u>	<u>0</u>
<b>EXPENSES</b>			
Administrative	<u>74,240</u>	<u>74,240</u>	<u>0</u>
TOTAL EXPENSES	<u>74,240</u>	<u>74,240</u>	<u>0</u>
CHANGE IN NET ASSETS	0	0	0
NET ASSETS AT APRIL 1, 2006	0	0	0
NET ASSETS AT MARCH 31, 2007	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF ACTIVITIES  
 CONGREGATE HOUSING PROGRAM - SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED MARCH 31, 2007, (WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT G

	2007	2006
<b>REVENUES</b>		
HUD Program Grants	\$ 74,240	\$ 43,295
<b>TOTAL REVENUES</b>	<u>74,240</u>	<u>43,295</u>
<b>EXPENSES</b>		
Administrative	74,240	43,295
<b>TOTAL EXPENSES</b>	<u>74,240</u>	<u>43,295</u>
<b>CHANGE IN NET ASSETS</b>	0	0
<b>NET ASSETS AT APRIL 1, 2006</b>	0	0
<b>NET ASSETS AT MARCH 31, 2007</b>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF REVITALIZATION OF SEVERELY DISTRESSED  
 PUBLIC HOUSING PROGRAM COSTS - UNCOMPLETED  
 FOR THE YEAR ENDED MARCH 31, 2007

EXHIBIT H

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36URD00L102
--

501 01

- The total amount of Development Costs (herein called the "Actual Development Cost") of the Revitalization of Severely Distressed Public Housing. Costs are shown below for Program Number IN36-URD00L102

Funds Approved	\$ 12,352,941
Funds Expended	<u>8,903,943</u>
Excess\(\Deficit) of Funds Approved	<u>\$ 3,448,998</u>
Funds Advanced	\$ 8,886,032
Funds Expended	<u>8,903,943</u>
Excess\(\Deficit) of Funds Advanced	<u>\$ (17,911)</u>

- The Revitalization of Severely Distressed Public Housing Program Costs are shown above.
- Cost additions for the audit period totaled \$4,552,734 for IN 36-URD00L102, and, accordingly, were audited by Velma Butler & Company, Ltd.

See accompanying notes for the financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED  
 FOR THE YEAR ENDED MARCH 31, 2007

EXHIBIT I

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO10 - 501-03 AND 502-03
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	501-04	502-05	502-06	Total
Funds Approved	\$ 869,839	\$ 856,277	\$ 845,423	\$ 2,571,539
Funds Expended	<u>786,481</u>	<u>534,967</u>	<u>252,141</u>	<u>1,573,589</u>
Excess\Deficit of Funds Approved	\$ <u>83,358</u>	\$ <u>321,310</u>	\$ <u>593,282</u>	\$ <u>997,950</u>
Funds Advanced	\$ 786,481	\$ 534,967	\$ 252,141	\$ 1,573,589
Funds Expended	<u>786,481</u>	<u>534,967</u>	<u>252,141</u>	<u>1,573,589</u>
Excess\Deficit of Funds Advanced	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

1. Capital Fund Program costs for Phases IN 36 - 501-04, IN 36 - 501-05 and IN 36-502-06 are shown above.
2. Cost additions for the audit period totaled \$218,910 for IN 36 - 501-04, \$213,170 for IN 36 - 501-05, and \$252,141 for IN - 36 -501-06, and accordingly, were audited by Velma Butler & Company Ltd.

See accompanying notes for the financial statements.

**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  
Authority of the City of Muncie, Indiana  
Muncie, Indiana

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

We have audited the financial statements of the governmental activities and 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, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

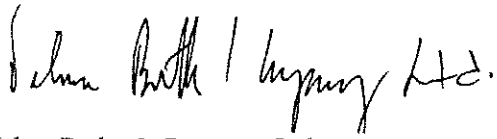
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Velma Butler & Company, Ltd.  
Chicago, Illinois

November 15, 2007



**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

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

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

Compliance

We have audited the compliance of the Housing Authority of the City of Muncie, Indiana (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to each of its major federal programs for the year ended March 31, 2007. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

Internal Control Over Compliance

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

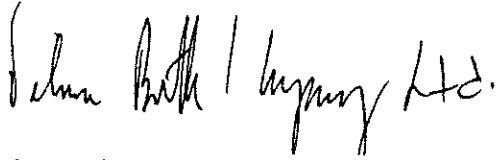
Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below.

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

that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Velma Butler & Company, Ltd.  
Chicago, Illinois

November 15, 2007

**SUMMARY OF AUDITORS' RESULTS**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 SCHEDULE OF FINDINGS AND QUESTIONED COST  
 FOR THE YEAR ENDED MARCH 31, 2007**

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***Financial Statements***

The type of report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified?       Yes       No

Significant deficiencies identified not considered to be material weaknesses?  
 Yes       No

Noncompliance material to financial statements noted?  
 Yes       No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?       Yes       No

Significant deficiencies identified not considered to be material weaknesses?  
 Yes       No

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
14.866	Revitalization of Severely Distressed Public Housing
14.872	Capital Fund Grant Program

Housing Choice Voucher Program	
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 CURRENT YEAR FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED MARCH 31, 2007**

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**Section II – Financial Statement Findings**

There were no reportable findings for the fiscal year ended March 31, 2007.

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

There were no reportable findings or questioned costs for the fiscal year ended March 31, 2007.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2007**

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

There were no reportable findings for the fiscal year ended March 31, 2006.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
STATEMENT OF COMPLIANCE WITH  
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2007**

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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  
STATEMENT OF COMPLIANCE WITH  
PUBLIC HOUSING ASSESSMENT SYSTEM PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2007**

---

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

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SCHEDULE OF ADJUSTED ENTRIES – LOW RENT PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2007**

<b>AJE #</b>	<b>Acct. #</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
1	10-8-000-000-1125.00	Accounts Receivable - HUD	\$ 17,910.95	
	10-8-000-000-2835.00	HUD Grants - Modernization and Development To record amount due HOPE VI (Do Not Book)		\$ 17,910.95
2	10-3-506-000-2810.00	Unreserved Surplus	60,996.67	
	10-3-506-000-1503.00	Soft Costs - Contra To write-off soft cots for CGP 506		60,996.67
3	10-3-507-000-2810.00	Unreserved Surplus	99,583.91	
	10-3-507-000-1503.00	Soft Costs - Contra To write-off soft cots for CGP 507		99,583.91
4	10-3-506-000-2810.00	Completed CIAP CGP Costs	2,994.39	
	10-3-506-000-1503.00	Unreserved Surplus (Do Not Book)		2,994.39
5	10-1-000-000-5800.00	Depreciation Expense	1,155,002.60	
	10-1-000-000-1400.50	Accumulated Depreciation To record for 2007		1,155,002.60
6	10-1-000-000-4420.00	Maintenance Material Supplies	2,960.90	
	10-1-000-000-1260.00	Material Inventory To adjust materials to physical inventory schedule		2,960.90
7	10-1-000-000-1145.00	Accrued Interest Receivable	47,301.06	
	10-1-000-000-2260.00	Deferred Interest Income To record deferred interest income		47,301.06
8	10-1-000-000-2810.00	Unreserved Surplus	3,223.70	
	10-1-000-000-2134.00	Accrued Compensation Payable	819.9	
	10-1-000-000-2135.00	Accrued Salaries Payable To adjust accrued salaries		4,043.60
<b>Total</b>			<b>\$ 1,390,794.08</b>	<b>\$ 1,390,794.08</b>

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SCHEDULE OF ADJUSTED ENTRIES – HOUSING CHOICE VOUCHER PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2007**

<b>AJE #</b>	<b>Acct. #</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
1	20-0-000-000-2118.00	Accounts Payable - HUD	\$ 188,544.00	
	20-0-000-000-2820.00	Unreserved Surplus		\$ 152,565.00
	20-0-000-000-8020.00	HUD Operating Grants		35,979.00
		To record assistance earned from the year		
2	20-0-000-000-5800.00	Depreciation Expense	3,933.90	
	20-0-000-000-1400.05	Accumulated Depreciation		3,933.90
		To record Depreciation		
3	20-0-000-000-2117.05	Accrued Taxes payable	234.00	
	20-0-000-000-4190.05	Administrative Expense		234.00
		To write off old accounts payable		
4	20-0-000-000-2135.00	Accrued Salaries	678.80	
	20-0-000-000-2820.00	Unreserved Surplus	906.34	
	20-0-000-000-2134.00	Accrued Compensation Payable		1,585.14
		To adjust accrued salaries		
		<b>Total</b>	<b>\$ 194,297.04</b>	<b>\$ 194,297.04</b>