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June 29, 2016

Board of Commissioners
City of Muncie Housing Authority
409 East First Street
Muncie, IN 47308

We have reviewed the audit report prepared by Velma Butler & Company, LTD., Independent Public Accountants, for the period April 1, 2013 to March 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the City of Muncie Housing Authority, as of March 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

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

**INDEPENDENT AUDITOR'S REPORT,
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION,
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED
MARCH 31, 2014**

VELMA BUTLER & COMPANY, LTD.
Certified Public Accountant



THE HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA

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INDEPENDENT AUDITOR'S REPORT

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 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, 2014, 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, 2014, 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 4 through 10 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 for 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 3, 2014 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.

Summarized Comparative Information

We have previously audited the Authority's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements dated October 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Velma Butler & Company, Ltd.
Chicago, Illinois

October 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



409 East First Street
Muncie, IN 47302
www.muncieha.com

October 3, 2014

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 (the Authority)'s annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on March 31, 2014, with selective comparison to the financial performance for the fiscal year ended March 31, 2013. 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, 2014. 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 approximately \$699 thousand from \$22.1 million at March 31, 2013 to \$21.4 million at March 31, 2014.
- The change in net assets decreased from a deficit of \$1.3 million in fiscal year 2013 to a deficit of \$713 thousand in fiscal year 2014. The change was due to a decrease in general expense and housing assistance payments.
- Revenues increased by \$132 thousand or 1.9% to \$7.1 million from \$7 million in 2014. Capital grants during the period increased.

- Expenses decreased by \$485 thousand during the year, from \$8.3 million during 2013 to \$7.8 million during 2014. The decrease occurred mainly in general expense and housing assistance payments.
- Total assets decreased \$54 thousand to \$24.6 million at March 31, 2014 from \$24.7 million at March 31, 2013. The change occurred because non-current assets decreased.
- Total liabilities increased by \$645 thousand, from \$2.6 million at March 31, 2013 to \$3.2 million at March 31, 2014. This increase was primarily due to an increase in deferred interest income.

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 (OMB)'s *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, 2014 were approximately \$21.1 million, a 3.2 percent decrease from the March 31, 2013 balance of \$22.1 million.

Table 1
Muncie Housing Authority Net Assets
(in thousands)

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Total Percentage Change</u>
Current Assets	\$ 1,789	\$ 1,707	\$ 82	4.8 %
Non-current Assets	<u>22,852</u>	<u>22,988</u>	<u>(136)</u>	-0.6 %
Total Assets	<u><u>24,641</u></u>	<u><u>24,695</u></u>	<u><u>\$ (54)</u></u>	-0.2 %
Current Liabilities	\$ 568	\$ 266	\$ 302	113.5 %
Non Current Liabilities	<u>2,642</u>	<u>2,299</u>	<u>343</u>	14.9 %
Total Liabilities	<u>3,210</u>	<u>2,565</u>	<u>645</u>	25.1 %
Invested in Capital Assets, Net	15,452	15,953	(501)	-3.1 %
Unrestricted	5,501	5,772	(271)	-4.7 %
Restricted Net Assets	<u>478</u>	<u>405</u>	<u>73</u>	18.0 %
Total Net Assets	<u><u>21,431</u></u>	<u><u>22,130</u></u>	<u><u>(699)</u></u>	-3.2 %
Total Liabilities and Net Assets	<u><u>\$ 24,641</u></u>	<u><u>\$ 24,695</u></u>	<u><u>\$ (54)</u></u>	-0.2 %

Total assets decreased by 0.2 percent to approximately \$24.6 million. The decrease was mainly due to depreciation.

Total liabilities increased by \$645 thousand or about 25.1 percent from \$2.6 million at March 31, 2013 to \$3.6 million at March 31, 2014. The increase mainly occurred because of an increase in deferred interest income.

CAPITAL ASSETS

Capital assets decreased by approximately \$501 thousand from \$16.0 million to \$15.5 million, as shown in the table below:

	<u>March 31, 2013</u>	<u>Additions and Deletions</u>	<u>March 31, 2014</u>
Land and Structures	\$ 28,326,163	\$ 1,035,509	\$ 29,361,672
Equipment and Furniture	1,853,800	126,475	1,980,275
Construction in Progress	871,001	(491,887)	379,114
Less Accum. Depreciation	<u>(15,097,992)</u>	<u>(1,170,909)</u>	<u>(16,268,901)</u>
Total Fixed Assets	<u>\$ 15,952,972</u>	<u>\$ (500,812)</u>	<u>\$ 15,452,160</u>

The Authority had additions of \$521,372, and no disposals. The change in construction in progress is due to the closing of various capital fund programs and the balances were transferred to either Land and Structures or Equipment and Furniture.

Change in Net Assets

Overall net assets decreased by approximately \$699 thousand or 3.2 percent at March 31, 2014, due to loss in net income.

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Total Percentage Change</u>
Revenues	\$ 7,094	\$ 6,962	\$ 132	1.9 %
Operating Expenses	6,636	7,135	\$ (499)	-7.0 %
Depreciation	<u>1,171</u>	<u>1,157</u>	<u>14</u>	1.2 %
Total Expenses	7,807	8,292	(485)	-5.8 %
Change in Net Assets	(713)	(1,330)	617	-46.4 %
Beginning Net Assets	22,130	23,432	(1,302)	-5.6 %
Prior Period Adjustments	<u>14</u>	<u>28</u>	<u>(14)</u>	-50.0 %
Total Liabilities and Net Assets	<u>\$ 21,431</u>	<u>\$ 22,130</u>	<u>\$ (699)</u>	-3.2 %

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 \$132 thousand or 1.9 percent, while total operating expenses decreased by \$499 thousand or 7 percent, from approximately \$8.3 million at March 31, 2013 to \$7.8 million at March 31, 2014.

Total expenses, including depreciation, decreased by approximately 5.8 percent, changes are shown below in Table 3:

Table 3
Muncie Housing Authority's Operating Expenses
(in thousands)

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Total Percentage Change</u>
Administrative Expenses	\$ 1,287	\$ 1,184	\$ 103	8.7 %
Tenant Services	5	32	\$ (27)	-84.4 %
Utilities Expenses	407	328	79	24.1 %
Ordinary Maintenance	546	532	14	2.6 %
General Expenses	312	646	(334)	-51.7 %
Extra Ordinary Maintenance	32	61	(29)	-47.5 %
Housing Assistance Payments	4,047	4,352	(305)	-7.0 %
Depreciation Expense	1,171	1,157	14	1.2 %
Total Authority Expenses	<u>\$ 7,807</u>	<u>\$ 8,292</u>	<u>\$ (320)</u>	-5.8 %

Decreases occurred in general expenses and housing assistance payments. The decrease in general expenses is due to a decrease in activity for the component unit.

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, after acquiring the building known as “Garfield Elementary School” from the Muncie School Corporation, has successfully leased two spaces. One space is a charter school with the other being a community center. Further plans include two more tenants. One being an office for the Authority itself while the other will be a potential daycare. 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 families 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 work toward closing 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 seek approval by HUD which might require a change to our revitalization plan.

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.

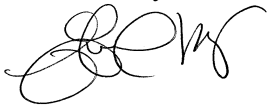
The Authority will continue to seek out programs and/or partner to aid its residents to become self-sufficient and thus contribute to the community to the best of their abilities and ultimately realize the goal of homeownership.

The Authority's Strategic Goal includes the following:

- Expanding the supply of affordable housing with our Instrumentality.
- Improving the quality of existing affordable housing.
- Providing an improved living environment within our developments.
- 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 staff training.
- To seek out potential sources of revenue in order to continue operations with less dependency on federal subsidy.

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 educational sources.

Sincerely,

A handwritten signature in black ink, appearing to read 'GR', written in a cursive style.

Guillermo Rodriguez
Chief Executive Officer

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
 MARCH 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

EXHIBIT A

	LOW RENT	SECTION 8	CONGREGATE HOUSING	HOPE VI	AHDC	2014 TOTAL	2013 TOTAL
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 617,312	573,002	-	2,779	20,942	\$ 1,214,035	\$ 1,465,368
Accounts Receivable, net	150,774	4,639			28,251	183,664	111,537
Interfund Receivable	732,634				20,559	753,193	71,983
Prepaid Expenses	17,547	1,911				19,458	41,698
Material Inventories	21,229					21,229	16,186
Total Current Assets	1,539,496	579,552	-	2,779	69,752	2,191,579	1,706,772
NON CURRENT ASSETS							
Land, Structures and Equipment, net	9,215,136			5,065,160	1,171,864	15,452,160	15,952,972
Notes Receivable - Long Term	1,100,000			3,762,442		4,862,442	4,862,442
Accrued Interest Receivable	891,561			1,645,811		2,537,372	2,172,538
Total Non-Current Assets	11,206,697	-	-	10,473,413	1,171,864	22,851,974	22,987,952
TOTAL ASSETS	\$ 12,746,193	\$ 579,552	\$ -	\$ 10,476,192	\$ 1,241,616	\$ 25,043,553	\$ 24,694,724
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable	\$ 57,940	643		242		\$ 58,825	\$ 44,699
Interfund Payable	467,335				285,858	753,193	71,983
Accrued Liabilities	131,357	19,291				150,648	140,613
Prepaid Rents	7,302					7,302	8,612
Total Current Liabilities	663,934	19,934	-	242	285,858	969,968	265,907
NONCURRENT LIABILITIES							
Deferred Interest Income/Revenue	942,015			1,648,372		2,590,387	2,235,286
Trust Deposits		51,740				51,740	63,152
Total Noncurrent Liabilities	942,015	51,740	-	1,648,372	-	2,642,127	2,298,438
Total Liabilities	1,605,949	71,674	-	1,648,614	285,858	3,612,095	2,564,345
NET ASSETS							
Unrestricted Net Assets	1,925,108	29,440	-	3,762,418	(216,106)	5,500,860	5,772,347
Restricted Net Assets	-	478,438	-	-	-	478,438	405,060
Investment in Fixed Assets	9,215,136	-	-	5,065,160	1,171,864	15,452,160	15,952,972
Total Net Assets	11,140,244	507,878	-	8,827,578	955,758	21,431,458	22,130,379
TOTAL LIABILITIES AND NET ASSETS	\$ 12,746,193	\$ 579,552	\$ -	\$ 10,476,192	\$ 1,241,616	\$ 25,043,553	\$ 24,694,724

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, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

EXHIBIT B

	LOW RENT	SECTION 8	CONGREGATE HOUSING	HOPE VI	AHDC	2014 TOTAL	2013 TOTAL
OPERATING REVENUES							
Tenant Charges	\$ 384,511	\$	\$	\$	\$	\$ 384,511	\$ 461,306
HUD Operating Grants	1,175,339	4,414,952	4,660			5,594,951	6,083,088
Other Income	263,249	28,769			576,422	868,440	337,151
TOTAL REVENUES	1,823,099	4,443,721	4,660	-	576,422	6,847,902	6,881,545
OPERATING EXPENSES							
Administrative Expenses	890,877	357,015			39,412	1,287,304	1,183,644
Tenant Services	100		4,660			4,760	32,262
Utilities Expenses	319,210				87,835	407,045	327,977
Ordinary Maintenance	507,543	10,845			27,871	546,259	531,769
General Expenses	287,382	13,649			10,400	311,431	646,493
Extra Ordinary Maintenance	31,973					31,973	61,391
Housing Assistance Payments		4,047,243				4,047,243	4,352,039
Depreciation Expense	814,947			337,641	18,321	1,170,909	1,156,517
TOTAL OPERATING EXPENSES	2,852,032	4,428,752	4,660	337,641	183,839	7,806,924	8,292,092
OPERATING INCOME (LOSS)	(1,028,933)	14,969	-	(337,641)	392,583	(959,022)	(1,410,547)
NON-OPERATING REVENUES AND (EXPENSES)							
Interest Income	2,043					2,043	6,321
HUD Capital Grants	243,562					243,562	74,166
Interfund Revenue	533,510					533,510	502,620
Interfund Expenses	(421,658)	(111,852)				(533,510)	(502,620)
TOTAL NON-OPERATING	357,457	(111,852)	-	-	-	245,605	80,487
CHANGES IN NET ASSETS	(671,476)	(96,883)	-	(337,641)	392,583	(713,417)	(1,330,060)
BEGINNING NET ASSETS	11,797,224	604,761	-	9,165,219	563,175	22,130,379	23,432,425
PRIOR PERIOD ADJUSTMENT	14,496					14,496	28,014
ENDING NET ASSETS	\$ 11,140,244	\$ 507,878	\$ -	\$ 8,827,578	\$ 955,758	\$ 21,431,458	\$ 22,130,379

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, 2014 (WITH COMPARATIVE TOTALS FOR 2013) EXHIBIT C

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 6,562,045	\$ 6,881,545
Payments to Employees	(650,933)	(598,994)
Payments to Vendors and Suppliers	(5,507,486)	(6,587,906)
Net Cash Provided by/(Used for) Operating Activities	403,626	(305,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in Investments	-	168,000
Interest on Investments	2,197	6,321
Net Cash Provided by/(Used for) Investing Activities	2,197	174,321
CASH FLOWS FROM FINANCING ACTIVITIES		
(Purchase)/Sale of Fixed Assets	(822,946)	(77,861)
Capital Grants	243,562	74,166
Investment in Fixed Assets	(77,772)	(18,764)
Net Cash Provided by/(Used for) Financing Activities	(657,156)	(22,459)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(251,333)	(153,493)
CASH AND CASH EQUIVALENTS AT APRIL 1, 2013	1,465,368	1,618,861
CASH AND CASH EQUIVALENTS AT MARCH 31, 2014	\$ 1,214,035	\$ 1,465,368
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Operating Loss	\$ (713,417)	\$ (1,410,547)
Adjustments To Reconcile:		
Depreciation	1,170,909	1,156,517
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(72,127)	54,044
(Increase)/Decrease in Prepaid Expenses	22,240	(1,468)
(Increase)/Decrease in Material Inventories	(5,043)	(12,896)
(Increase)/Decrease in Accrued Interest Receivables	(283,596)	(283,589)
Increase/(Decrease) in Accounts Payable	13,484	(77,886)
Increase/(Decrease) in Accrued Liabilities	10,035	24,169
Increase/(Decrease) in Trust Deposits	(11,412)	(13,939)
Increase/(Decrease) in Deferred Revenue	272,553	260,240
Net Cash Provided by/(Used for) Operating Activities	\$ 403,626	\$ (305,355)

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, 2014**

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.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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.

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 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 East First Street, Muncie, Indiana 47302.

The Authority is a separate quasi-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.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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:

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.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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, 2014, 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

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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 - 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 accumulates 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 2013

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, 2013, from which the summarized information was derived.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

Concentration of Risk

During the year ended March 31, 2014, the Authority received approximately 78 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.

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.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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, 2014, cash totaled \$1,214,035, of which \$644,521 is unrestricted and \$569,514 is restricted. Of the restricted cash, \$91,076 is restricted for payment of liabilities and \$478,438 is restricted for Housing Assistance Payments (HAP). Below is a breakdown of the unrestricted and restricted cash:

Unrestricted Cash	\$	644,521
Restricted		
Tenant Security Deposits		39,336
Section 8 HAP Payments		478,438
FSS - Escrow		51,740
Total Restricted Cash		<u>569,514</u>
Total Cash	\$	<u><u>1,214,035</u></u>

Note 4 - Accounts Receivable

Accounts receivable totaled \$183,664 at March 31, 2014, and consisted of the following:

Tenants, net allowance	\$	40,247
Accounts Rec. - HUD		42,733
Accounts Rec. - Other		100,684
Total Accounts Receivable	\$	<u><u>183,664</u></u>

The Authority also had Interfund Receivables totaling \$753,193 and is offset by the total Interfund Payable balance of \$753,193.

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 2014 totaled \$10,465.

Note 5 - Prepaid Expenses

Prepaid expenses totaled \$19,458 at March 31, 2014, which consisted of prepaid expenses.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

Note 6 - Material Inventories

Material inventories totaled \$21,229 at March 31, 2014. 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:

	<u>March 31, 2013</u>	<u>Additions and Deletions</u>	<u>March 31, 2014</u>
Land and Structures	\$ 28,326,163	\$ 1,035,509	\$ 29,361,672
Equipment and Furniture	1,853,800	126,475	1,980,275
Construction in Progress	871,001	(491,887)	379,114
Less Accum. Depreciation	(15,097,992)	(1,170,909)	(16,268,901)
Total Fixed Assets	<u>\$ 15,952,972</u>	<u>\$ (500,812)</u>	<u>\$ 15,452,160</u>

Changes in fixed assets consist of purchases, depreciation 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 2014 totaled \$1,170,908.

The Authority had additions totaling \$521,372, and no disposals. Construction in Progress totaled \$379,114 at March 31, 2014. The change in construction in progress is due to the closing of various capital fund programs and the balances were transferred to either Land and Structures or Equipment and Furniture.

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 \$2,537,372, 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 percent (5.5%) 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

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2014**

flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Deferred interest income totaled \$891,562.

- 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 \$746,998.
- 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 \$439,332.
- 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 \$459,481.

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, 2014, totaled \$58,825, and consisted of:

Accounts Payable Vendors	\$	7,648
Tenant Security Deposits		39,336
Accounts Payable Other		11,841
Total Accounts Payable	\$	<u>58,825</u>

The Authority also had Interfund Payable totaling \$753,193 and is offset by the total Interfund Receivables balance. Prepaid rents totaled \$7,302.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

Note 10 - Accrued Liabilities

Accrued liabilities at March 31, 2014, totaled \$150,648, and consisted of the following:

Accrued Comp. Absences	\$	89,494
Accrued Salary and Taxes		16,960
Payment in Lieu of Taxes		44,194
Total Accrued Payables	\$	<u>150,648</u>

Note 11 - Trust Deposits

Trust deposits at March 31, 2014, totaling \$51,740 consisted of amount due under the family self-sufficiency program.

Note 12 - Deferred Income

Deferred revenue at March 31, 2014, totaling \$2,590,387 and consisted of interest earned on notes receivable of \$2,537,373 and deferred income of \$53,014.

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, 2014, the cumulative amount of such deferred interest receivable was \$2,537,373 (Refer to **Note 8**).

Note 13 - Prior Period Adjustment

The Authority had a prior period adjustment of \$391,564 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. Employees become vested in PERF after 10 years of membership acquired through service in a governmental unit in Indiana that participates in PERF.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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
03/31/14	\$ 66,141	100%	\$ -
03/31/13	\$ 47,834	100%	\$ -
03/31/12	\$ 49,945	100%	\$ -
03/31/11	\$ 69,514	100%	\$ -

For March 31, 2014, the Authority’s annual pension cost of \$66,141 for PERF was equal to the Authority’s required and actual contributions, and there were no liabilities due to the plan from the Authority. Total annual payroll expense was 623,009.

Note 15 - Commitments and Contingencies

Loan Commitments

The Authority has entered into financing agreements with 15 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, 2014 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, 2014.

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 effect on the financial position of the Authority at March 31, 2014.

Note 16 - Administrative Fees

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

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, 2014, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2014. Management has performed their analysis through October 3, 2014, the date the financial statements were issued. The Authority has not evaluated events occurring after October 3, 2014 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: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	14,866 Revitalization of Severely Distressed Public Housing	1 Business Activities	14,169 Housing Counseling Assistance Program	6.2 Component Unit - Blended	14,218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$570,675	\$42,824	\$2,779			\$20,942			\$637,220		\$637,220
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted		\$478,438							\$478,438		\$478,438
114 Cash - Tenant Security Deposits	\$39,336								\$39,336		\$39,336
115 Cash - Restricted for Payment of Current Liabilities	\$7,301	\$51,740							\$59,041		\$59,041
100 Total Cash	\$617,312	\$573,002	\$2,779	\$0	\$0	\$20,942	\$0	\$0	\$1,214,035	\$0	\$1,214,035
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects	\$42,734								\$42,734		\$42,734
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous						\$28,251		\$67,794	\$96,045		\$96,045
126 Accounts Receivable - Tenants	\$50,711								\$50,711		\$50,711
126.1 Allowance for Doubtful Accounts - Tenants	-\$10,465								-\$10,465		-\$10,465
126.2 Allowance for Doubtful Accounts - Other	\$0					\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery		\$4,639							\$4,639		\$4,639
128.1 Allowance for Doubtful Accounts - Fraud		\$0							\$0		\$0
129 Accrued Interest Receivable			\$1,645,811					\$891,561	\$2,537,372		\$2,537,372
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$82,980	\$4,639	\$1,645,811	\$0	\$0	\$28,251	\$0	\$959,355	\$2,721,036	\$0	\$2,721,036
131 Investments - Unrestricted											
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$10,810	\$1,911						\$6,737	\$19,458		\$19,458
143 Inventories	\$20,545							\$684	\$21,229		\$21,229
143.1 Allowance for Obsolete Inventories	\$0							\$0	\$0		\$0
144 Inter Program Due From	\$732,634					\$20,559			\$753,193	-\$753,193	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$1,464,281	\$579,552	\$1,648,590	\$0	\$0	\$69,752	\$0	\$966,776	\$4,728,951	-\$753,193	\$3,975,758
161 Land	\$1,297,327					\$90,947		\$143,519	\$1,531,793		\$1,531,793
162 Buildings	\$19,521,919		\$6,572,617			\$1,099,238		\$799,736	\$27,993,510		\$27,993,510
163 Furniture, Equipment & Machinery - Dwellings	\$305,180								\$305,180		\$305,180
164 Furniture, Equipment & Machinery - Administration	\$156,693	\$31,570	\$180,196					\$1,143,004	\$1,511,463		\$1,511,463
165 Leasehold Improvements											
166 Accumulated Depreciation	-\$13,017,080	-\$31,570	-\$1,687,653			-\$18,321		-\$1,514,276	-\$16,268,900		-\$16,268,900
167 Construction in Progress	\$347,347							\$31,767	\$379,114		\$379,114
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,611,386	\$0	\$5,065,160	\$0	\$0	\$1,171,864	\$0	\$603,750	\$15,452,160	\$0	\$15,452,160
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	\$8,611,386	\$0	\$8,827,602	\$0	\$0	\$1,171,864	\$0	\$1,703,750	\$20,314,602	\$0	\$20,314,602
190 Total Assets	\$10,075,667	\$579,552	\$10,476,192	\$0	\$0	\$1,241,616	\$0	\$2,670,526	\$25,043,553	-\$753,193	\$24,290,360

200	Deferred Outflow of Resources											
290	Total Assets and Deferred Outflow of Resources	\$10,075,667	\$579,552	\$10,476,192	\$0	\$0	\$1,241,616	\$0	\$2,670,526	\$25,043,553	-\$753,193	\$24,290,360
311	Bank Overdraft											
312	Accounts Payable <= 90 Days		\$94	\$242					\$7,407	\$7,743		\$7,743
313	Accounts Payable >90 Days Past Due											
321	Accrued Wage/Payroll Taxes Payable	\$5,045	\$4,611						\$17,800	\$27,456		\$27,456
322	Accrued Compensated Absences - Current Portion	\$6,867	\$3,321						\$7,316	\$17,504		\$17,504
324	Accrued Contingency Liability											
325	Accrued Interest Payable											
331	Accounts Payable - HUD PHA Programs		\$549							\$549		\$549
332	Account Payable - PHA Projects											
333	Accounts Payable - Other Government	\$44,194								\$44,194		\$44,194
341	Tenant Security Deposits	\$39,336								\$39,336		\$39,336
342	Unearned Revenue	\$7,302		\$1,648,372					\$942,015	\$2,597,689		\$2,597,689
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue											
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						\$285,858		\$467,335	\$753,193	-\$753,193	\$0
348	Loan Liability - Current											
310	Total Current Liabilities	\$102,744	\$8,575	\$1,648,614	\$0	\$0	\$285,858	\$0	\$1,442,574	\$3,488,365	-\$753,193	\$2,735,172
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		\$51,740							\$51,740		\$51,740
354	Accrued Compensated Absences - Non Current	\$24,001	\$11,359						\$36,630	\$71,990		\$71,990
355	Loan Liability - Non Current											
356	FASB 5 Liabilities											
357	Accrued Pension and OPEB Liabilities											
350	Total Non-Current Liabilities	\$24,001	\$63,099	\$0	\$0	\$0	\$0	\$0	\$36,630	\$123,730	\$0	\$123,730
300	Total Liabilities	\$126,745	\$71,674	\$1,648,614	\$0	\$0	\$285,858	\$0	\$1,479,204	\$3,612,095	-\$753,193	\$2,858,902
400	Deferred Inflow of Resources											
508.3	Nonspendable Fund Balance											
508.4	Net Investment in Capital Assets	\$8,611,386		\$5,065,160			\$1,171,864		\$603,750	\$15,452,160		\$15,452,160
509.3	Restricted Fund Balance											
510.3	Committed Fund Balance											
511.3	Assigned Fund Balance											
511.4	Restricted Net Position		\$478,438							\$478,438		\$478,438
512.3	Unassigned Fund Balance											
512.4	Unrestricted Net Position	\$1,337,536	\$29,440	\$3,762,418	\$0	\$0	-\$216,106	\$0	\$587,572	\$5,500,860		\$5,500,860
513	Total Equity - Net Assets / Position	\$9,948,922	\$607,878	\$8,827,578	\$0	\$0	\$955,758	\$0	\$1,191,322	\$21,431,458	\$0	\$21,431,458
600	Total Liab., Def. Inflow of Res. and Equity - Net Assets / Position	\$10,075,667	\$579,552	\$10,476,192	\$0	\$0	\$1,241,616	\$0	\$2,670,526	\$25,043,553	-\$753,193	\$24,290,360

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	14.866 Revitalization of Severely Distressed Public Housing	1 Business Activities	14.169 Housing Counseling Assistance Program	6.2 Component Unit - Blended	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
	\$344,586								\$344,586		\$344,586
70400 Tenant Revenue - Other	\$39,924								\$39,924		\$39,924
70500 Total Tenant Revenue	\$384,510	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$384,510	\$0	\$384,510
70600 HUD PHA Operating Grants	\$1,431,129	\$4,414,952					\$109,347		\$5,955,428		\$5,955,428
70610 Capital Grants	\$77,772				\$4,660				\$82,432		\$82,432
70710 Management Fee								\$401,549	\$401,549	-\$401,549	\$0
70720 Asset Management Fee								\$35,640	\$35,640	-\$35,640	\$0
70730 Book Keeping Fee								\$96,322	\$96,322	-\$96,322	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$533,511	\$533,511	-\$533,511	\$0
70800 Other Government Grants						\$343,000			\$343,000		\$343,000
71100 Investment Income - Unrestricted	\$87	\$154						\$1,957	\$2,198		\$2,198
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery		\$1,426							\$1,426		\$1,426
71500 Other Revenue	\$4,622	\$27,189				\$124,075		\$168,625	\$324,511		\$324,511
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	\$1,898,120	\$4,443,721	\$0	\$0	\$4,660	\$467,075	\$109,347	\$704,093	\$7,627,016	-\$533,511	\$7,093,505
91100 Administrative Salaries	\$86,848	\$166,251						\$240,342	\$493,441		\$493,441
91200 Auditing Fees	\$26,236	\$6,558						\$1,726	\$34,520		\$34,520
91300 Management Fee	\$289,697	\$111,852						\$401,549	\$401,549	-\$401,549	\$0
91310 Book-keeping Fee	\$26,415	\$69,907						\$96,322	\$96,322	-\$96,322	\$0
91400 Advertising and Marketing								\$125	\$125		\$125
91500 Employee Benefit contributions - Administrative	\$37,760	\$82,651						\$102,572	\$222,983		\$222,983
91600 Office Expenses	\$2,654	\$28,802				\$2,334		\$117,013	\$150,803		\$150,803
91700 Legal Expense								\$42,765	\$42,765		\$42,765
91800 Travel	\$587	\$1,669						\$29,146	\$31,402		\$31,402
91810 Allocated Overhead											
91900 Other	\$230,540	\$1,177				\$37,078		\$42,469	\$311,264		\$311,264
91000 Total Operating - Administrative	\$700,737	\$468,867	\$0	\$0	\$0	\$39,412	\$0	\$576,158	\$1,785,174	-\$497,871	\$1,287,303
92000 Asset Management Fee	\$35,640								\$35,640	-\$35,640	\$0
92100 Tenant Services - Salaries											
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other	\$100				\$4,660				\$4,760		\$4,760
92500 Total Tenant Services	\$100	\$0	\$0	\$0	\$4,660	\$0	\$0	\$0	\$4,760	\$0	\$4,760
93100 Water	\$30,592					\$3,106		\$1,588	\$35,286		\$35,286
93200 Electricity	\$93,836					\$40,673		\$14,474	\$148,983		\$148,983
93300 Gas	\$47,164					\$40,631		\$5,491	\$93,286		\$93,286
93400 Fuel											

93500 Labor												
93600 Sewer	\$124,612					\$3,425		\$1,453	\$129,490		\$129,490	
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	\$296,204	\$0	\$0	\$0	\$0	\$87,835	\$0	\$23,006	\$407,045	\$0	\$407,045	
94100 Ordinary Maintenance and Operations - Labor	\$118,611								\$118,611		\$118,611	
94200 Ordinary Maintenance and Operations - Materials and Other	\$60,878					\$77		\$3,098	\$64,053		\$64,053	
94300 Ordinary Maintenance and Operations Contracts	\$223,001	\$10,845		\$0		\$27,794		\$42,687	\$304,327		\$304,327	
94500 Employee Benefit Contributions - Ordinary Maintenance	\$59,268								\$59,268		\$59,268	
94000 Total Maintenance	\$461,758	\$10,845	\$0	\$0	\$0	\$27,871	\$0	\$45,785	\$546,259	\$0	\$546,259	
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs								\$14,760	\$14,760		\$14,760	
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,760	\$14,760	\$0	\$14,760	
96110 Property Insurance	\$51,671							\$11,500	\$63,171		\$63,171	
96120 Liability Insurance	\$3,528							\$3,585	\$7,113		\$7,113	
96130 Workmen's Compensation	\$7,364	\$5,225						\$11,158	\$23,747		\$23,747	
96140 All Other Insurance	\$6,170	\$604						\$3,563	\$10,337		\$10,337	
96100 Total insurance Premiums	\$68,733	\$5,829	\$0	\$0	\$0	\$0	\$0	\$29,806	\$104,368	\$0	\$104,368	
96200 Other General Expenses	\$104,224	\$3,254				\$10,400		\$3,355	\$121,233		\$121,233	
96210 Compensated Absences	\$12,787	\$4,566						\$9,391	\$26,744		\$26,744	
96300 Payments in Lieu of Taxes	\$13,407								\$13,407		\$13,407	
96400 Bad debt - Tenant Rents	\$30,919								\$30,919		\$30,919	
96500 Bad debt - Mortgages												
96600 Bad debt - Other												
96800 Severance Expense												
96000 Total Other General Expenses	\$161,337	\$7,820	\$0	\$0	\$0	\$10,400	\$0	\$12,746	\$192,303	\$0	\$192,303	
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	\$1,724,509	\$493,361	\$0	\$0	\$4,660	\$165,518	\$0	\$702,261	\$3,090,309	-\$533,511	\$2,556,798	
97000 Excess of Operating Revenue over Operating Expenses	\$173,611	\$3,950,360	\$0	\$0	\$0	\$301,557	\$109,347	\$1,832	\$4,536,707	\$0	\$4,536,707	
97100 Extraordinary Maintenance	\$9,792								\$9,792		\$9,792	
97200 Casualty Losses - Non-capitalized	\$22,181								\$22,181		\$22,181	
97300 Housing Assistance Payments		\$4,043,230							\$4,043,230		\$4,043,230	
97350 HAP Portability-In		\$4,013							\$4,013		\$4,013	
97400 Depreciation Expense	\$749,805		\$337,641			\$18,321		\$65,141	\$1,170,908		\$1,170,908	
97500 Fraud Losses												
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	\$2,506,287	\$4,540,604	\$337,641	\$0	\$4,660	\$183,839	\$0	\$767,402	\$8,340,433	-\$533,511	\$7,806,922	
10010 Operating Transfer In	\$90,000					\$109,347			\$199,347	-\$90,000	\$109,347	
10020 Operating transfer Out	-\$90,000						-\$109,347		-\$199,347	\$90,000	-\$109,347	
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	\$109,347	-\$109,347	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$608,167	-\$96,883	-\$337,641	\$0	\$0	\$392,583	\$0	-\$63,309	-\$713,417	\$0	-\$713,417
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$10,557,089	\$604,761	\$9,165,219	\$563,175	\$0	\$0	\$0	\$1,240,135	\$22,130,379		\$22,130,379
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			-\$563,175		\$563,175	\$0	\$14,496	\$14,496		\$14,496
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		\$29,440							\$29,440		\$29,440
11180 Housing Assistance Payments Equity		\$478,438							\$478,438		\$478,438
11190 Unit Months Available	5076	10016	0	0	0	0	0	0	15092		15092
11210 Number of Unit Months Leased	5034	9321	0	0	0	0	0	0	14355		14355
11270 Excess Cash	\$1,200,542								\$1,200,542		\$1,200,542
11610 Land Purchases	\$15,754							\$0	\$15,754		\$15,754
11620 Building Purchases	\$62,018							\$0	\$62,018		\$62,018
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, 2014**

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs - US Department of Housing and Urban Development				
<u>Direct Program</u>				
<u>Low Rent Housing Program</u>				
Low Rent Housing Programs	C - 348	14.850	\$ 1,175,339	\$ 2,481,209
Capital Fund Program	C - 348	14.872	<u>243,562</u>	<u>243,562</u>
Total Low Rent Housing Programs			1,418,901	2,724,771
<u>Housing Assistance Payment Program</u>				
Section 8 - Housing Choice Voucher Program	C - 2025	14.871	<u>4,414,952</u>	<u>4,436,023</u>
Total Housing Assistance Program Payments			4,414,952	4,436,023
Total U S Department of Housing and Urban Development (Major Programs)			<u>5,833,853</u>	<u>7,160,794</u>
Non-Major Programs				
US Department of Housing and Urban Development				
Revitalization of Severely Distressed Public Housing	C - 348	14.866	-	337,641
Housing Counseling Grant	C - 348	14.169	4,660	4,660
Community Development Block Grant (CDBG)	C - 348	14.218	<u>109,347</u>	<u>109,347</u>
Total U.S. Department of Housing and Urban Development (Non-Major Programs)			114,007	451,648
Total All Programs - US Department of Housing and Urban Development			<u>\$ 5,947,860</u>	<u>\$ 7,612,442</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, 2014**

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, 2014. 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, 2014, 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, 2014.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 STATEMENT OF ACTIVITIES - RESIDENT OPPORTUNITIES AND SELF SUFFICIENCY
 FOR THE YEAR ENDED MARCH 31, 2014 (WITH COMPARATIVE FOR 2013) EXHIBIT E**

	2014	2013
REVENUES		
HUD Program Grants	\$ -	\$ 27,949
TOTAL REVENUES	<u>-</u>	<u>27,949</u>
EXPENSES		
Administrative	-	27,949
TOTAL EXPENSES	<u>-</u>	<u>27,949</u>
CHANGE IN NET ASSETS	-	-
NET ASSETS AT MARCH 31, 2013	-	-
NET ASSETS AT MARCH 31, 2014	<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, 2014

EXHIBIT F

	BUDGET	ACTUAL	VARIANCE
REVENUES			
HUD Program Grants	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES			
Administrative	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	-	-	-
NET ASSETS AT APRIL 1, 2013	-	-	-
NET ASSETS AT MARCH 31, 2014	<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, 2014**

EXHIBIT G

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

	501-07	501-08	501-09	501-09 CFRG	Total
Funds Approved	\$ 568,680	\$ 573,772	\$ 581,948	\$ 872,488	\$ 2,596,888
Funds Expended	<u>568,680</u>	<u>573,772</u>	<u>581,948</u>	<u>872,488</u>	<u>2,596,888</u>
Excess\ (Deficit) of Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 568,680	\$ 573,772	\$ 581,948	\$ 872,488	\$ 2,596,888
Funds Expended	<u>568,680</u>	<u>573,772</u>	<u>581,948</u>	<u>872,488</u>	<u>2,596,888</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1. That the total amount of Modernization Cost of the Modernization Grant is shown above;
2. That all modernization work in connecton with the Modernization Grant have been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-mens' liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED
 FOR THE YEAR ENDED MARCH 31, 2014**

EXHIBIT H

<p>ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO10 - 501-10, 501-11, and 501-12</p>
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	501-10	501-11	501-12	Total
Funds Approved	\$ 580,766	\$ 494,429	\$ 493,619	\$ 1,568,814
Funds Expended	<u>552,152</u>	<u>144,918</u>	<u>164,397</u>	<u>861,467</u>
Excess\Deficit of Funds Approved	<u>\$ 28,614</u>	<u>\$ 349,511</u>	<u>\$ 329,222</u>	<u>\$ 707,347</u>
Funds Advanced	\$ 543,289	\$ 111,048	\$ 164,397	\$ 818,734
Funds Expended	<u>552,152</u>	<u>144,918</u>	<u>164,397</u>	<u>861,467</u>
Excess\Deficit of Funds Advanced	<u>\$ (8,863)</u>	<u>\$ (33,870)</u>	<u>\$ -</u>	<u>\$ (42,733)</u>

- 1 Capital Fund Program costs for Phases IN 36-501-10, 501-11 and 501-12 are shown above.
- 2 Cost additions for the audit period totaled \$8,863 for IN 36-501-10, \$70,302 for 501-11 and \$164,397 for 501-12, 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, 2014, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 3, 2014. 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.

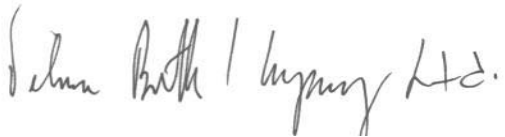
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not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

Velma Butler & Company, Ltd.
Chicago, Illinois

October 3, 2014

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, 2014. 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, 2014.

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, 2014, and have issued our report thereon dated October 3, 2014, 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.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.
Chicago, Illinois

October 3, 2014

SUMMARY OF AUDITOR'S RESULTS

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED MARCH 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

The type of report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Deficiencies identified not considered to be material weaknesses?
Yes X None reported

Noncompliance material to financial statements noted?
Yes X None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Deficiencies identified not considered to be material weaknesses?
Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

Yes X No

Identification of major program:

U.S. Department of Housing and Urban Development

CFDA Number Name of Federal Program

Low Rent Rental Assistance Programs

14.850 Low Rent Housing

14.872 Capital Fund Programs

Housing Choice Voucher Housing Assistance Programs

14.871 Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X Yes No

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR
FOR THE YEAR ENDED MARCH 31, 2014**

Section II - Financial Statement Findings

There were no reportable findings for the fiscal year ended March 31, 2014.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended March 31, 2014.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR
FOR THE YEAR ENDED MARCH 31, 2014**

Section IV - Financial Statement Findings

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

Section V - 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
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED MARCH 31, 2014**

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, 2014**

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.