



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B46533

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2014 to March 31, 2015. 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, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

Finding 001 is reported in Section III, Federal Award Findings and Questioned Costs, and is referenced in the 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.

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

A handwritten signature in blue ink that reads "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, 2015**

---

---

**VELMA BUTLER & COMPANY, LTD.**  
Certified Public Accountant



THE HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA

TABLE OF CONTENTS

---

	<u>EXHIBIT</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT		1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-10
BASIC FINANCIAL STATEMENTS:		
Statement of Net Position - Enterprise Funds	A	11
Statement of Revenues, Expenses and Changes in Fund Net Position - Enterprise Funds	B	12
Statement of Cash Flows - Enterprise Funds	C	13
Notes to the Financial Statements		14-25
SUPPLEMENTAL INFORMATION:		
Financial Data Schedules - REAC		26-30
Schedule of Expenditures of Federal Awards (SEFA) and Notes to the SEFA	D	31-32
Statement of Capital Fund Program Costs - Uncompleted	H	33
SINGLE AUDIT REPORTS:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		34-35
Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditure of Federal Awards Required by OMB Circular A-133		36-38
SUMMARY OF AUDITOR'S RESULTS:		
Summary of Auditor's Results		39
Schedule of Findings & Questioned Costs - Current Year		40
Schedule of Findings and Questioned Costs - Prior Year		41
Statement of Compliance with Section 8 Management Assessment Program		42
Statement of Compliance with Public Housing Management Assessment Program		43

**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, and each major fund, of the Housing Authority of the City of Muncie, Indiana (the Authority), as of and for the year ended March 31, 2015, 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 the 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 and each major fund of the Housing Authority of the City of Muncie, Indiana, as of March 31, 2015, 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 September 25, 2015 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements dated October 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Velma Butler & Company, Ltd.  
Chicago, Illinois

September 25, 2015

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



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

September 25, 2015

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 the Muncie, Indiana's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on March 31, 2015, with selective comparison to the financial performance for the fiscal year ended March 31, 2014. 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 Authority for the year ended March 31, 2015. 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 Position at March 31, 2015, was \$20 million a decreased of \$1 million from the March 31, 2014 total of \$21 million.
- Revenue decreased by \$411 thousand for fiscal year 2015. The decrease was primarily in other income.
- Operating expenses, excluding depreciation, increased by \$198 thousand or by 3.0%, from about \$6.6 million at March 31, 2014 to \$ 6.8 million at March 31, 2015.
- Total assets decreased by \$1 million from \$24.3 million at March 31, 2014 to \$23.3 million at March 31, 2015.

- Capital assets were \$14.8 million at March 31, 2015, a decrease of about \$605 thousand from the March 31, 2014, balance of \$15.5 million primarily because of depreciation.
- Liabilities increased by approximately \$389 thousand or 13.52% from \$2.9 million at March 31, 2014 to \$3.2 million at March 31, 2015.

The management's 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 in the Authority's management.

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.

## **USING THIS REPORT**

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority's basic financial statements are presented as a single enterprise fund whose operations include the low rent and the housing choice voucher and a component unit as follows.

**Fund Financial Statements** are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's fund only consisted of a **Proprietary Fund**.

The Authority's **Proprietary Fund** is comprised of an enterprise funds with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

**Low-Income Public Housing**-Under Low-Income Public Housing Program, the Authority rents units it owns to low-income families. The Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a family's adjusted gross household income.

**Capital Fund Program (CFP)**- The Low-Income Public Housing Program includes the Capital Funds Program (CFP), which is the primary funding source for physical management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the authorities housing stock.

**Hope VI Program (Hope VI)** - The Hope VI Program were grants obtained from HUD to demolish and revitalize developments through the use of a mixture of subsidize and mixed income housing units.

**Section 8 Housing Assistance-Vouchers**-The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The programs are administered locally by public housing authorities. The Authority's receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the Authority on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

**Components Unit** - The Component unit is a not-for-profit organizations formed by the Authority for the purpose of assisting in the development of projects which provide housing to a mixture of low-income and market rate families. The low-income family rents are subsidized by HUD.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996 and the United States Office of Management and Budget's ("OMB") *Audits of States, Local Governments, and Non-Profit Organizations* as provided in OMB Circular A-133. Information related to this single audit, including a schedule of expenditures of federal awards, 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 Position

Net position represent the difference between total assets and total liabilities. As shown in Table 1, the Authority's total net position at March 31, 2015, was approximately \$20.1 million, a 6.4 percent decrease from the March 31, 2014 balance of \$21.4 million.

**Table 1**  
**Muncie Housing Authority Net Position**  
**(in thousands)**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Total Percentage Change</u>
<b>ASSETS</b>				
Current Assets	\$ 703	\$ 1,439	\$ (736)	-51.1 %
Non-Current Assets				%
Accrued Interest Receivable	2,902	2,537	365	14.4 %
Notes Receivable	4,862	4,862	-	0.0 %
Capital Assets	<u>14,847</u>	<u>15,452</u>	<u>(605)</u>	-3.9 %
Total Non-Current Assets	<u>22,611</u>	<u>22,851</u>	<u>(240)</u>	-1.1 %
<b>TOTLA ASSETS</b>	<u>\$ 23,314</u>	<u>\$ 24,290</u>	<u>\$ (976)</u>	-4.0 %
<b>LIABILITIES AND NET POSITION</b>				
Current Liabilities	\$ 233	\$ 217	\$ 16	7.4 %
Non Current Liabilities	<u>3,012</u>	<u>2,642</u>	<u>370</u>	14.0 %
<b>Total Liabilities</b>	3,245	2,859	386	13.5 %
Invested in Capital Assets	14,847	15,452	(605)	-3.9 %
Unrestricted	5,135	5,501	(366)	-6.7 %
Restricted	<u>87</u>	<u>478</u>	<u>(391)</u>	-81.8 %
<b>Total Net Position</b>	<u>20,069</u>	<u>21,431</u>	<u>(1,362)</u>	-6.4 %
<b>Total Liabilities and Net Position</b>	<u>\$ 23,314</u>	<u>\$ 24,290</u>	<u>\$ (976)</u>	-4.0 %

Total assets decreased by 4.0 percent to approximately \$23.3 million. The decrease was mainly due to depreciation.

Total liabilities increased by \$386 thousand or about 13.5 percent from \$2.9 million at March 31, 2014, to \$3.2 million at March 31, 2015. The increase mainly occurred because of an increase in deferred interest income or inflows of resources.

### CAPITAL ASSETS

Capital assets decreased by approximately \$605 thousand from \$15.5 million to \$14.8 million, as shown in the table below:

	<u>March 31, 2014</u>	<u>Additions and Deletions</u>	<u>March 31, 2015</u>
Land and Structures	\$ 29,360,672	\$	\$ 29,360,672
Equipment and Furniture	1,981,275	66,695	2,047,970
Construction in Progress	379,114	539,424	918,538
Less Accum. Depreciation	(16,268,901)	(1,211,314)	(17,480,215)
<b>Total Capital Assets</b>	<u>\$ 15,452,160</u>	<u>\$ (605,195)</u>	<u>\$ 14,846,965</u>

The Authority had additions of \$66,695, and no disposals. The change in construction in progress of \$539,424 resulted from improvements made on several capital projects. Lastly depreciation expense was \$1,211,314.

#### NOTES RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

The Authority has several notes receivable outstanding as a result of funds loaned to mixed income developers by its HOPE VI program to demolish and revitalize some of its housing units. These are long-term notes that will mature in 2025 and 2046. Interest payments are accumulated and are not required to be paid until the developments generate positive cash flow per HUD regulations.

#### Change in Net Position

Overall, net position decreased by approximately \$1.4 million or 6.4 percent at March 31, 2015, due to loss in net income and increases in expense.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Total Percentage Change</u>
Revenues	\$ 6,601	\$ 7,094	\$ (493)	-6.9 %
Operating Expenses	6,766	6,636	130	2.0 %
Depreciation	1,197	1,171	26	2.2 %
Total Expenses	<u>7,963</u>	<u>7,807</u>	<u>156</u>	<u>2.0 %</u>
Change in Net Position	(1,362)	(713)	(649)	91.0 %
Beginning Net Position	21,431	22,130	(699)	-3.2 %
Prior Period Adjustments		14	(14)	-100.0 %
<b>Total Liabilities and Net Position</b>	<u>\$ 20,069</u>	<u>\$ 21,431</u>	<u>\$ (1,362)</u>	<u>-6.4 %</u>

As shown in Table 2, the Authority's total operating revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income decreased by \$411 thousand or 5.8 percent.

Total expenses, including depreciation, increased by approximately 3.0 percent, changes are shown below in Table 3:

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Total Percentage Change</u>
Administrative Expenses	\$ 947	\$ 1,287	\$ (340)	-26.4 %
Tenant Services	5	5	-	0.0 %
Utilities Expenses	395	407	(12)	-2.9 %
Ordinary Maintenance	714	546	168	30.8 %
Protective Services	15	15	-	0.0
General Expenses	475	297	178	59.9 %
Extra Ordinary Maintenance	35	32	3	9.4 %
Housing Assistance Payments	4,180	4,047	133	3.3 %
Depreciation Expense	1,197	1,171	26	2.2 %
<b>Total Authority Expenses</b>	<u>\$ 7,963</u>	<u>\$ 7,807</u>	<u>\$ 156</u>	2.0 %

Decreases occurred in administrative and utilities. Increases occurred primarily in ordinary maintenance, general expenses and housing assistance payments.

### **BUDGETARY HIGHLIGHTS**

For the operating budget, the Director of Finance submits a request for operating subsidies; based on expected rental income. The Director then prepares a budget for the low rent operating program based on, functions, activities, or objectives for the following fiscal year. The budget is then given to the Board of Commissioners. The Commissioners approves and adopts the budget. Operating monies are determined by rents and operating subsidies provided by HUD, as established by Congress. The funding is dependent on the availability of federal funds.

Capital project budgets are approved and are adopted for five years by the Board of Commissioners and HUD based on Federal funding. They are then annualized to strengthen monitoring and completion benchmarks. Budgeted and actual costs are compared to the five year plan and are monitored by the Authority and HUD. Line item variances are resolved and approved by HUD.

## MAJOR INITIATIVES

The Authority's continues to seek opportunities to acquire or build additional units and/or developments as funding is available and the projects are feasible. Actions are focused on efforts to revitalize older housing units and to seek out ways to construct new units in order to expand the portfolio to better address the needs for affordable housing.

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.

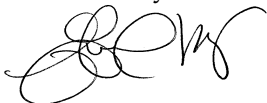
## ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are affected more by the Federal budget than by local economic conditions.

## CONTACTING THE HOUSING AUTHORITY

The financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jerri Bost, Chief Financial Officer, Housing Authority of the City of Muncie, Indiana, 409 East First Street, Muncie, Indiana 47308, or call (765) 288-9242

Sincerely,



Guillermo Rodriguez  
Chief Executive Officer

## **BASIC FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
 MARCH 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

EXHIBIT A

	LOW RENT	SECTION 8	HOPE VI	AHDC	Eliminations	2015 TOTAL	2014 TOTAL
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 304,806	\$ 178,347	\$ 2,547	\$ 22,656	\$ -	\$ 508,356	\$ 1,214,035
Accounts Receivable, net	114,470	4,009		28,251		146,730	183,664
Interfund Receivable	1,105,197				(1,105,197)	-	
Prepaid Expenses	32,189	134				32,323	19,458
Material Inventories	15,211					15,211	21,229
Total Current Assets	1,571,873	182,490	2,547	50,907	(1,105,197)	702,620	1,438,386
<b>NON CURRENT ASSETS</b>							
Capital Assets, net	8,908,354		4,727,519	1,211,092		14,846,965	15,452,160
Notes Receivable - Long Term	1,100,000		3,762,442			4,862,442	4,862,442
Accrued Interest Receivable	1,033,300		1,868,908			2,902,208	2,537,372
Total Non-Current Assets	11,041,654	-	10,358,869	1,211,092	-	22,611,615	22,851,974
<b>TOTAL ASSETS</b>	<b>\$ 12,613,527</b>	<b>\$ 182,490</b>	<b>\$ 10,361,416</b>	<b>\$ 1,261,999</b>	<b>\$ (1,105,197)</b>	<b>\$ 23,314,235</b>	<b>\$ 24,290,360</b>
<b>LIABILITIES AND NET POSITION</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable	\$ 51,803				\$ -	\$ 51,803	\$ 58,825
Interfund Payable	793,245		14,220	297,732	(1,105,197)	-	
Accrued Liabilities	149,675	24,564				174,239	150,648
Prepaid Rents	6,876					6,876	7,302
Total Current Liabilities	1,001,599	24,564	14,220	297,732	(1,105,197)	232,918	216,775
<b>NONCURRENT LIABILITIES</b>							
Deferred Infow of Resouces	1,083,453		1,868,908			2,952,361	2,590,387
Trust Deposits		59,851				59,851	51,740
Total Noncurrent Liabilities	1,083,453	59,851	1,868,908	-	-	3,012,212	2,642,127
Total Liabilities	2,085,052	84,415	1,883,128	297,732	(1,105,197)	3,245,130	2,858,902
<b>NET ASSETS</b>							
Unrestricted Net Position	1,620,121	70,482	3,750,769	(246,825)	-	5,194,547	5,500,860
Restricted Net Position	-	27,593	-	-	-	27,593	478,438
Investment in Fixed Assets	8,908,354	-	4,727,519	1,211,092	-	14,846,965	15,452,160
Total Net Position	10,528,475	98,075	8,478,288	964,267	-	20,069,105	21,431,458
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 12,613,527</b>	<b>\$ 182,490</b>	<b>\$ 10,361,416</b>	<b>\$ 1,261,999</b>	<b>\$ (1,105,197)</b>	<b>\$ 23,314,235</b>	<b>\$ 24,290,360</b>

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION- ENTERPRISE FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

EXHIBIT B

	LOW RENT	SECTION 8	HOPE VI	AHDC	2015 TOTAL	2014 TOTAL
<b>OPERATING REVENUES</b>						
Tenant Charges	\$ 425,245	\$	\$	\$	\$ 425,245	\$ 384,511
HUD Operating Grants	1,355,396	4,053,316	2,561		5,411,273	5,594,951
Other Income	18,326	37,650		180,000	235,976	868,440
<b>TOTAL REVENUES</b>	<b>1,798,967</b>	<b>4,090,966</b>	<b>2,561</b>	<b>180,000</b>	<b>6,072,494</b>	<b>6,847,902</b>
<b>OPERATING EXPENSES</b>						
Administrative Expenses	658,534	261,922	14,210	12,399	947,065	1,287,303
Tenant Services	5,173				5,173	4,760
Utilities Expenses	307,771			86,961	394,732	407,045
Ordinary Maintenance	647,958	21,985		43,663	713,606	546,259
Protective Services	14,688				14,688	14,760
General Expenses	454,735	20,540			475,275	296,671
Extra Ordinary Maintenance	35,672				35,672	31,974
Housing Assistance Payments		4,179,805			4,179,805	4,047,243
Depreciation Expense	830,525		337,641	28,468	1,196,634	1,170,909
<b>TOTAL OPERATING EXPENSES</b>	<b>2,955,056</b>	<b>4,484,252</b>	<b>351,851</b>	<b>171,491</b>	<b>7,962,650</b>	<b>7,806,924</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,156,089)</b>	<b>(393,286)</b>	<b>(349,290)</b>	<b>8,509</b>	<b>(1,890,156)</b>	<b>(959,022)</b>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>						
Interest Income	185	85			270	2,043
HUD Capital Grants	527,533				527,533	243,562
Inter-fund Revenue	378,627				378,627	533,510
Interfund Expenses	(362,024)	(16,603)			(378,627)	(533,510)
<b>TOTAL NON-OPERATING</b>	<b>544,321</b>	<b>(16,518)</b>	<b>-</b>	<b>-</b>	<b>527,803</b>	<b>245,605</b>
<b>CHANGES IN NET POSITION</b>	<b>(628,371)</b>	<b>(393,201)</b>	<b>(349,290)</b>	<b>8,509</b>	<b>(1,362,353)</b>	<b>(713,417)</b>
<b>BEGINNING NET POSITION</b>	<b>11,140,244</b>	<b>507,878</b>	<b>8,827,578</b>	<b>955,758</b>	<b>21,431,458</b>	<b>22,130,379</b>
<b>PRIOR PERIOD ADJUSTMENT</b>					-	14,496
<b>ENDING NET POSITION</b>	<b>\$ 10,511,873</b>	<b>\$ 114,677</b>	<b>\$ 8,478,288</b>	<b>\$ 964,267</b>	<b>\$ 20,069,105</b>	<b>\$ 21,431,458</b>

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 STATEMENT OF REVENUES CASH FLOWS - ENTERPRISE FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2015 (WITH COMPARATIVE TOTALS FOR 2014)

EXHIBIT C

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 6,154,935	\$ 6,562,045
Payments to Employees	(928,013)	(650,933)
Payments to Vendors and Suppliers	(5,865,175)	(5,507,486)
Net Cash Provided by/(Used for) Operating Activities	<u>(638,253)</u>	<u>403,626</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in Investments	-	-
Interest on Investments	270	2,197
Net Cash Provided by/(Used for) Investing Activities	<u>270</u>	<u>2,197</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Purchase)/Sale of Capital Assets	(67,696)	(822,946)
Capital Grants	527,500	243,562
Investment in Capital Assets	(527,500)	(77,772)
Net Cash Provided by/(Used for) Financing Activities	<u>(67,696)</u>	<u>(657,156)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(705,679)</u>	<u>(251,333)</u>
<b>CASH AND CASH EQUIVALENTS AT APRIL 1, 2014</b>	1,214,035	1,465,368
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2015</b>	<u>\$ 508,356</u>	<u>\$ 1,214,035</u>
Reconciliation to Statement of Net Position		
Cash and Cash equivalents	\$ 318,613	\$ 644,521
Restricted cash	189,743	569,514
Total	<u>\$ 508,356</u>	<u>\$ 1,214,035</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating Loss	\$ (1,890,156)	\$ (713,417)
Adjustments To Reconcile:		
Depreciation	1,196,634	1,170,909
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	36,934	(72,127)
(Increase)/Decrease in Prepaid Expenses	(12,866)	22,240
(Increase)/Decrease in Material Inventories	6,018	(5,043)
(Increase)/Decrease in Accrued Interest Receivables	(364,835)	(283,596)
Increase/(Decrease) in Accounts Payable	(6,380)	13,484
Increase/(Decrease) in Accrued Liabilities	23,591	10,035
Increase/(Decrease) in Trust Deposits	8,102	(11,412)
Increase/(Decrease) in Deferred Revenue	364,705	272,553
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (638,253)</u>	<u>\$ 403,626</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
None		

See Accompanying Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENT**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015**

---

**Note 1 – Organization and Program Description**

The Housing Authority of the City of Muncie, Indiana (the Authority) is a quasi-governmental 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. Most funding is provided by the United States Department of Housing and Urban Development (HUD).

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. All funds and programs are included in these statements.

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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

---

*Hope VI Program (Hope VI)* - The Hope VI Program were grants obtained from HUD to demolish and revitalize developments through the use of a mixture of subsidize and mixed income housing units.

*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 provides services in 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 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

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

---

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.

*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.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

---

**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, 2015, are recorded as prepaid items.

**Capital Assets** - The Authority capitalizes capital 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.

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

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

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

**Compensated Absences** - 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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

---

- 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 Position**- The difference between assets and liabilities is the net position. Net position is subdivided into the following three categories:

**Investment in capital assets, net of related debt** - The component of net position 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 position 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 position invested in capital, net of related debt or the net position restricted for federal and state programs.

**Financial Information for 2014**

The financial statements include certain prior-year summarized comparative information in total but not by net position 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, 2014, from which the summarized information was derived.

**Concentration of Risk**

During the year ended March 31, 2015, the Authority received approximately 88 percent of its funding from HUD.

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

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

---

**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.

**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, 2015, cash totaled \$508,356, of which \$318,613 was unrestricted and \$189,743 was restricted.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

---

Below is a breakdown of the unrestricted and restricted cash:

Unrestricted Cash	\$	318,613
Restricted		
Tenant Security Deposits		42,448
Section 8 HAP Payments		87,444
FSS - Escrow		59,851
Total Restricted Cash		<u>189,743</u>
Total Cash	\$	<u><u>508,356</u></u>

**Note 4 - Accounts Receivable**

Accounts receivable totaled \$146,730 at March 31, 2015, and consisted of the following:

Tenants, net allowance	\$	36,949
Accounts Rec. - HUD		1,023
Accounts Rec. - Other		108,758
Total Accounts Receivable	\$	<u><u>146,730</u></u>

The Authority also had Inter-fund Receivables totaling \$1,105,197, and is offset by the total Inter-fund Payable balance of \$1,105,197.

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 2015 totaled \$69,505.

**Note 5 - Prepaid Expenses**

Prepaid expenses totaled \$32,323, at March 31, 2015, which consisted of prepaid expenses.

**Note 6 - Material Inventories**

Material inventories totaled \$15,211 at March 31, 2015. Material inventories are stated at the lower of cost or market.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015**

---

**Note 7 - Land, Structures and Equipment**

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

	<u>March 31, 2014</u>	<u>Additions and Deletions</u>	<u>March 31, 2015</u>
Land and Structures	\$ 29,360,672	\$	\$ 29,360,672
Equipment and Furniture	1,981,275	66,695	2,047,970
Construction in Progress	379,114	539,424	918,538
Less Accum. Depreciation	<u>(16,268,901)</u>	<u>(1,211,314)</u>	<u>(17,480,215)</u>
<b>Total Capital Assets</b>	<u>\$ 15,452,160</u>	<u>\$ (605,195)</u>	<u>\$ 14,846,965</u>

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

Capital 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 2015 totaled \$1,211,314. Additions were \$66,695.

Construction in progress was \$539,424, for 2015 totaling, \$918,538, at March 31, 2015. The change in construction in progress resulted from capital improvements made to properties.

**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 \$2,902,208, 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 flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Deferred interest income totaled \$1,001,097.
- 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

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2015**

---

(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 \$814,949.

- 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 \$505,928..
- 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 \$580,233.

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, 2015, totaled \$51,803, and consisted of:

Accounts Payable Vendors	\$	1,023
Tenant Security Deposits		42,438
Accounts Payable Other		8,342
Total Accounts Payable	\$	<u>51,803</u>

The Authority also had Inter-fund Payable totaling \$1,105,197 and is offset by the total Inter-fund Receivables balance of \$1,105,197.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

---

**Note 10 - Accrued Liabilities**

Accrued liabilities at March 31, 2015, totaled \$174,239, and consisted of the following:

Accrued Comp. Absences	\$	97,022
Accrued Salary and Taxes		16,687
Payment in Lieu of Taxes		60,531
Total Accrued Payables	\$	<u>174,239</u>

The short and long term portions of accrued compensated absences are as follows:

Accrued Comp. Abs. - Current	\$	53,742
Accrued Comp. Abs. - Non-Current		43,280
Total	\$	<u>97,022</u>

**Note 11 - Trust Deposits**

Trust deposits at March 31, 2015, totaled \$59,851, and consisted of amount due under the family self-sufficiency program.

**Note 12 - Deferred Income**

Deferred outflows of resources, at March 31, 2015, totaled \$2,959,237, and consisted of deferred interest income earned on notes receivable of \$2,901,908, deferred revenue due the component unit of \$50,453 and prepaid rent of \$6,876.

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, 2015, the cumulative amount of such deferred interest receivable was \$2,902,207 (Refer to **Note 8**).

**Note 13 - 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

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

---

online at [www.in.gov](http://www.in.gov). Employees become vested in PERF after 10 years of membership acquired through service in a governmental unit in Indiana that participates in PERF.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
03/31/15	\$ 58,544	100%	\$ -
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, 2015, the Authority's annual pension cost of \$58,544 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 \$666,712.

**Note 14 - 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, 2015 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, 2015.

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, 2015.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015**

---

**Note 15 - Administrative Fees**

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

**Note 16- 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 17 - Subsequent Events**

Management has performed an analysis of activities and transactions subsequent to March 31, 2015, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2015. Management has performed their analysis through September 25, 2015, the date the financial statements were issued. The Authority has not evaluated events occurring after September 25, 2015 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: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing \$2,547	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$255,482	\$90,903	\$22,656			\$371,588		\$371,588
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$87,444				\$87,444		\$87,444
114 Cash - Tenant Security Deposits	\$42,448					\$42,448		\$42,448
115 Cash - Restricted for Payment of Current Liabilities	\$6,876					\$6,876		\$6,876
100 Total Cash	\$304,806	\$178,347	\$22,656	\$2,547	\$0	\$508,356	\$0	\$508,356
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$1,023					\$1,023		\$1,023
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous			\$28,251		\$76,498	\$104,749		\$104,749
126 Accounts Receivable - Tenants	\$45,486					\$45,486		\$45,486
126.1 Allowance for Doubtful Accounts - Tenants	-\$8,537					-\$8,537		-\$8,537
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery		\$4,009				\$4,009		\$4,009
128.1 Allowance for Doubtful Accounts - Fraud		\$0				\$0		\$0
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$37,972	\$4,009	\$28,251	\$0	\$76,498	\$146,730	\$0	\$146,730
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$10,908	\$134			\$21,281	\$32,323		\$32,323
143 Inventories	\$15,211					\$15,211		\$15,211
143.1 Allowance for Obsolete Inventories	\$0					\$0		\$0
144 Inter Program Due From	\$1,105,197					\$1,105,197	-\$1,105,197	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$1,474,094	\$182,490	\$50,907	\$2,547	\$97,779	\$1,807,817	-\$1,105,197	\$702,620
161 Land	\$1,297,327		\$90,947		\$142,519	\$1,530,793		\$1,530,793
162 Buildings	\$19,521,922		\$1,166,934	\$6,572,617	\$799,736	\$28,061,209		\$28,061,209
163 Furniture, Equipment & Machinery - Dwellings	\$305,178					\$305,178		\$305,178
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	-\$13,766,886	-\$31,570	-\$46,789	-\$2,025,294	-\$1,609,677	-\$17,480,216		-\$17,480,216
167 Construction in Progress	\$918,538					\$918,538		\$918,538
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,432,772	\$0	\$1,211,092	\$4,727,519	\$475,582	\$14,846,965	\$0	\$14,846,965
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				\$1,868,908	\$1,033,300	\$2,902,208		\$2,902,208
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$8,432,772	\$0	\$1,211,092	\$10,358,869	\$2,608,882	\$22,611,615	\$0	\$22,611,615
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$9,906,866	\$182,490	\$1,261,999	\$10,361,416	\$2,706,661	\$24,419,432	-\$1,105,197	\$23,314,235
311 Bank Overdraft								
312 Accounts Payable <= 90 Days								
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$6,797	\$3,519			\$14,002	\$24,318		\$24,318
322 Accrued Compensated Absences - Current Portion	\$26,099	\$11,438			\$16,205	\$53,742		\$53,742
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government	\$60,531					\$60,531		\$60,531
341 Tenant Security Deposits	\$42,448					\$42,448		\$42,448
342 Unearned Revenue	\$6,876		\$0	\$0	\$0	\$6,876		\$6,876
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities					\$724	\$724		\$724
346 Accrued Liabilities - Other					\$701	\$701		\$701
347 Inter Program - Due To			\$297,732	\$14,220	\$793,245	\$1,105,197	-\$1,105,197	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$142,751	\$14,957	\$297,732	\$14,220	\$824,877	\$1,294,537	-\$1,105,197	\$189,340
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								

Housing Authority of the City of Muncie (IN005)

MUNCIE, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other		\$59,851		\$1,868,908		\$1,928,759		\$1,928,759
354 Accrued Compensated Absences - Non Current	\$15,220	\$9,607			\$18,451	\$43,278		\$43,278
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$15,220	\$69,458	\$0	\$1,868,908	\$18,451	\$1,972,037	\$0	\$1,972,037
300 Total Liabilities	\$157,971	\$84,415	\$297,732	\$1,883,128	\$843,328	\$3,266,574	-\$1,105,197	\$2,161,377
400 Deferred Inflow of Resources					\$1,083,753	\$1,083,753		\$1,083,753
508.3 Nonspendable Fund Balance								
508.4 Net Investment in Capital Assets	\$8,432,772		\$1,211,092	\$4,727,519	\$475,582	\$14,846,965		\$14,846,965
509.3 Restricted Fund Balance								
510.3 Committed Fund Balance								
511.3 Assigned Fund Balance								
511.4 Restricted Net Position		\$27,593				\$27,593		\$27,593
512.3 Unassigned Fund Balance								
512.4 Unrestricted Net Position	\$1,316,123	\$70,482	-\$246,825	\$3,750,769	\$303,998	\$5,194,547		\$5,194,547
513 Total Equity - Net Assets / Position	\$9,748,895	\$98,075	\$964,267	\$8,478,288	\$779,580	\$20,069,105	\$0	\$20,069,105
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$9,906,866	\$182,490	\$1,261,999	\$10,361,416	\$2,706,661	\$24,419,432	-\$1,105,197	\$23,314,235

Housing Authority of the City of Muncie (IN005)

MUNCIE, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$363,502					\$363,502		\$363,502
70400 Tenant Revenue - Other	\$61,742					\$61,742		\$61,742
70500 Total Tenant Revenue	\$425,244	\$0	\$0	\$0	\$0	\$425,244	\$0	\$425,244
70600 HUD PHA Operating Grants	\$1,355,396	\$4,053,316		\$2,561		\$5,411,273		\$5,411,273
70610 Capital Grants	\$527,533					\$527,533		\$527,533
70710 Management Fee					\$316,611	\$316,611	-\$316,611	\$0
70720 Asset Management Fee					\$35,640	\$35,640	-\$35,640	\$0
70730 Book Keeping Fee					\$26,376	\$26,376	-\$26,376	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$378,627	\$378,627	-\$378,627	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted		\$85			\$185	\$270		\$270
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$1,510				\$1,510		\$1,510
71500 Other Revenue	\$5,772	\$36,141	\$180,000		\$12,554	\$234,467		\$234,467
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$2,313,945	\$4,091,052	\$180,000	\$2,561	\$391,366	\$6,978,924	-\$378,627	\$6,600,297
91100 Administrative Salaries	\$84,460	\$153,418			\$249,329	\$487,207		\$487,207
91200 Auditing Fees	\$13,464	\$2,934			\$18,123	\$34,521		\$34,521
91300 Management Fee	\$300,008	\$16,603				\$316,611	-\$316,611	\$0
91310 Book-keeping Fee	\$26,376					\$26,376	-\$26,376	\$0
91400 Advertising and Marketing					\$436	\$436		\$436
91500 Employee Benefit contributions - Administrative	\$38,062	\$64,742			\$95,853	\$198,657		\$198,657
91600 Office Expenses	\$51,374	\$27,900			\$30,621	\$109,895		\$109,895
91700 Legal Expense			\$6,570	\$14,210	\$23,214	\$43,994		\$43,994
91800 Travel	\$1,406	\$2,069			\$32,128	\$35,603		\$35,603
91810 Allocated Overhead								
91900 Other	\$7,222	\$10,859	\$5,829		\$12,842	\$36,752		\$36,752
91000 Total Operating - Administrative	\$522,372	\$278,525	\$12,399	\$14,210	\$462,546	\$1,290,052	-\$342,987	\$947,065
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	\$5,173					\$5,173		\$5,173
92500 Total Tenant Services	\$5,173	\$0	\$0	\$0	\$0	\$5,173	\$0	\$5,173
93100 Water	\$29,935		\$3,633		\$1,146	\$34,714		\$34,714
93200 Electricity	\$78,640		\$35,766		\$10,791	\$125,197		\$125,197
93300 Gas	\$32,194		\$42,836		\$5,522	\$80,552		\$80,552
93400 Fuel								
93500 Labor								
93600 Sewer	\$135,556		\$4,726		\$13,987	\$154,269		\$154,269
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$276,325	\$0	\$86,961	\$0	\$31,446	\$394,732	\$0	\$394,732
94100 Ordinary Maintenance and Operations - Labor	\$139,911					\$139,911		\$139,911
94200 Ordinary Maintenance and Operations - Materials and Other	\$126,208		\$1,642		\$4,501	\$132,351		\$132,351
94300 Ordinary Maintenance and Operations Contracts	\$283,581	\$21,985	\$42,021		\$31,384	\$378,971		\$378,971
94500 Employee Benefit Contributions - Ordinary Maintenance	\$62,373					\$62,373		\$62,373
94000 Total Maintenance	\$612,073	\$21,985	\$43,663	\$0	\$35,885	\$713,606	\$0	\$713,606
95100 Protective Services - Labor					\$14,688	\$14,688		\$14,688
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$14,688	\$14,688	\$0	\$14,688
96110 Property Insurance	\$46,642				\$17,846	\$64,488		\$64,488
96120 Liability Insurance					\$3,609	\$3,609		\$3,609
96120 Liability Insurance					\$3,609	\$3,609		\$3,609

Housing Authority of the City of Muncie (IN005)

MUNCIE, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
96130 Workmen's Compensation	\$9,018	\$6,250			\$13,142	\$28,410		\$28,410
96140 All Other Insurance	\$7,339	\$167			\$2,704	\$10,210		\$10,210
96100 Total Insurance Premiums	\$62,999	\$6,417	\$0	\$0	\$37,301	\$106,717	\$0	\$106,717
96200 Other General Expenses	\$237,771	\$2,252			\$1,127	\$241,150		\$241,150
96210 Compensated Absences	\$18,324	\$11,871			\$3,342	\$33,537		\$33,537
96300 Payments in Lieu of Taxes	\$16,337				\$8,029	\$24,366		\$24,366
96400 Bad debt - Tenant Rents	\$69,505					\$69,505		\$69,505
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$341,937	\$14,123	\$0	\$0	\$12,498	\$368,558	\$0	\$368,558
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,856,519	\$321,050	\$143,023	\$14,210	\$594,364	\$2,929,166	-\$378,627	\$2,550,539
97000 Excess of Operating Revenue over Operating Expenses	\$457,426	\$3,770,002	\$36,977	-\$11,649	-\$202,998	\$4,049,758	\$0	\$4,049,758
97100 Extraordinary Maintenance	\$35,672					\$35,672		\$35,672
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments		\$4,167,039				\$4,167,039		\$4,167,039
97350 HAP Portability-In		\$12,766				\$12,766		\$12,766
97400 Depreciation Expense	\$749,806		\$28,468	\$337,641	\$80,719	\$1,196,634		\$1,196,634
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$2,641,997	\$4,500,855	\$171,491	\$351,851	\$675,083	\$8,341,277	-\$378,627	\$7,962,650
10010 Operating Transfer In	\$208,469					\$208,469	-\$208,469	\$0
10020 Operating transfer Out	-\$80,444				-\$128,025	-\$208,469	\$208,469	\$0
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)	\$128,025	\$0	\$0	\$0	-\$128,025	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$200,027	-\$409,803	\$8,509	-\$349,290	-\$411,742	-\$1,362,353	\$0	-\$1,362,353
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$9,948,922	\$507,878	\$955,758	\$8,827,578	\$1,191,322	\$21,431,458		\$21,431,458
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0					\$0		\$0
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		\$70,482				\$70,482		\$70,482
11180 Housing Assistance Payments Equity		\$27,593				\$27,593		\$27,593
11190 Unit Months Available	4308	9278				13586		13586
11210 Number of Unit Months Leased	4261	9278				13539		13539
11270 Excess Cash	\$1,168,139					\$1,168,139		\$1,168,139
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$498,919				\$0	\$498,919		\$498,919
11630 Furniture & Equipment - Dwelling Purchases	\$28,614				\$0	\$28,614		\$28,614
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0

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

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
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  
STATEMENT OF ACTIVITIES - RESIDENT OPPORTUNITIES AND SELF SUFFICIENCY  
FOR THE YEAR ENDED MARCH 31, 2015 (WITH COMPARATIVE FOR 2014) EXHIBIT E**

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
<b>Major Programs - US Department of Housing and Urban Development</b>				
<u>Direct Program</u>				
<u>Low Rent Housing Program</u>				
Low Rent Housing Programs	C - 348	14.850	\$ 1,192,508	\$ 3,154,192
Capital Fund Program	C - 348	14.872	<u>690,421</u>	<u>690,421</u>
Total Low Rent Housing Programs			1,882,929	3,844,613
<u>Housing Assistance Payment Program</u>				
Section 8 - Housing Choice Voucher Program	C - 2025	14.871	<u>4,053,316</u>	<u>4,500,855</u>
Total Housing Assistance Program Payments			4,053,316	4,500,855
Total U S Department of Housing and Urban Development (Major Programs)			<u>5,936,245</u>	<u>8,345,468</u>
<b>Minor Programs - US Department of Housing and Urban Development</b>				
<u>Direct Program</u>				
<u>Revitalization of Severely Distressed Public Housing</u>				
Revitalization of Severely Distressed Public Housing (HOPE VI)		14.866	<u>2,561</u>	<u>337,641</u>
Total Housing Assistance Program Payments			2,561	337,641
Total U S Department of Housing and Urban Development (Major Programs)			<u>2,561</u>	<u>337,641</u>
<b>Total All Programs - US Department of Housing and Urban Development</b>			<u>\$ 5,938,806</u>	<u>\$ 8,683,109</u>

**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, 2015. 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, 2015, 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, 2015.

**ANNUAL CONTRIBUTION CONTRACT C - 348**

**PHASES IN36PO10 - 501-10, 501-11, 501-12, 501-13 and 501-14**

	<b>501-10</b>	<b>501-11</b>	<b>501-12</b>	<b>501-13</b>	<b>501-14</b>	<b>Total</b>
Funds Approved	\$ 580,766	\$ 494,429	\$ 493,619	\$ 385,968	\$ 439,448	\$ 2,394,230
Funds Expended	<u>580,766</u>	<u>494,429</u>	<u>310,323</u>	<u>116,983</u>	<u>131,832</u>	<u>1,634,333</u>
Excess\ (Deficit) of Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,296</u>	<u>\$ 268,985</u>	<u>\$ 307,616</u>	<u>\$ 759,898</u>
Funds Advanced	\$ 580,766	\$ 494,429	\$ 310,323	\$ 116,983	\$ 130,810	\$ 1,633,310
Funds Expended	<u>580,766</u>	<u>494,429</u>	<u>310,323</u>	<u>116,983</u>	<u>131,832</u>	<u>1,634,333</u>
Excess\ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,023)</u>	<u>\$ (1,023)</u>

1 Capital Fund Program costs for Phases IN 36-501-10, 501-11, 501-12, 501-13 and 501-14 are shown above.

2 Cost additions for the audit period totaled \$28,614 for IN 36-501-10, \$349,511 for 501-11, \$145,925 for 501-12, \$116,983 for 501-13 and \$113,832 for 501-14, 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, 2015, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 25, 2015. 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.

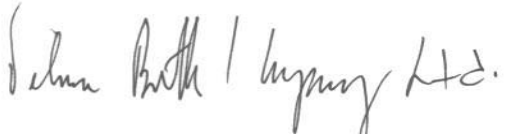
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not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

September 25, 2015

**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, 2015. 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, 2015.

### **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.

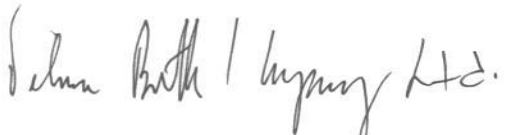
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We noted an instance of non compliance described in the accompanying schedule of finding and questioned costs - Finding 2015-001.

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, 2015, and have issued our report thereon dated September 25, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Velma Butler & Company, Ltd.  
Chicago, Illinois

September 25, 2015

## **SUMMARY OF AUDITOR'S RESULTS**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED MARCH 31, 2015**

---

**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**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
--------------------	--------------------------------

Low Rent Rental Assistance Programs

14.850	Low Rent Housing
--------	------------------

14.872	Capital Fund Programs
--------	-----------------------

Housing Choice Voucher Housing Assistance Programs

14.871	Housing Choice Voucher Program
--------	--------------------------------

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000

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, 2015**

---

**Section II - Financial Statement Findings**

There were no reportable findings for the fiscal year ended March 31, 2015.

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

**2015 Finding - 001 - Housing Choice Voucher Program -14.871 - Tenant Lease Files**

The Authority did not maintain documentation to assure compliance with Housing Choice Voucher program requirements..

We tested twenty (20) files for the housing choice voucher program and we noted that three files did not contain the required documentation:

- One file did not contain the annual inspection forms,
- One file did not contain:
  - social security cards for those in the household over age 6, a signed application, HUD form 50058, the annual reexamination of family status and family income verification form, current lease, and HUD Form 9886
- One file did not contain,
  - HUD form 50058, the annual reexamination of family status and family income verification form, current lease, and HUD Form 9886

HUD Regulations requires the Authority to maintain complete and accurate tenant files, which consist of annual re-certification applications, third party verification of reported annual income, signed residential lease agreements, support for tenant rent calculations, move-in forms, resident's birth certificates, registration for housing, social security cards, and state identification forms, amount other things.

**Recommendation:**

We recommend that the Authority strengthen its record documentation and procedures to include all the required forms.

**Authority's Action Plan:**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR  
FOR THE YEAR ENDED MARCH 31, 2015**

---

**Section IV - Financial Statement Findings**

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

**Section V - 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  
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2015**

---

**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, 2015**

---

**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.