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September 17, 2019

Board of Directors
Housing Authority of the City of Muncie
409 E 1st St
Muncie, IN 47302

We have reviewed the audit report of the Housing Authority of the City of Muncie, which was opined on by Rubino & Company, Independent Public Accountant, for the period April 1, 2017 to March 31, 2018. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Muncie as of March 31, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 47-52. Please see the Schedule of Findings and Questioned Costs as listed in the table of contents for complete details related to the findings. The Authority's planned corrective action is included on pages 54-55.

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


Paul D. Joyce, CPA
State Examiner

**HOUSING AUTHORITY OF
THE CITY OF MUNCIE**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

Years Ended March 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Muncie (the Authority) as of and for the years ended March 31, 2018 and 2017, 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 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.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of March 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years 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 Management's Discussion and Analysis and Pension Schedules as identified in the Table of Contents on pages 4-11 and 32-33 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.

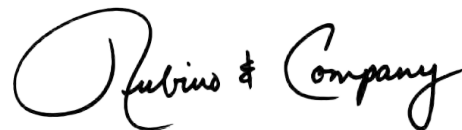
Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedule and Statements and Certifications of Actual Capital Fund Program Costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The Financial Data Schedule, Statements and Certifications of Actual Capital Fund Program Costs, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting data 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 Financial Data Schedule, Statements and Certifications of Actual Capital Fund Program Costs, and the Schedule of Expenditures of Federal Awards are 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 December 18, 2018 on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style.

Bethesda, Maryland
December 18, 2018

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Management's Discussion and Analysis

This section of the Housing Authority of the City of the Muncie's (the Authority's) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on March 31, 2018, with selective comparison to the financial performance for the fiscal year ended March 31, 2017. 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, 2018. 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, 2018, was \$17.6 million a decrease of \$1.6 million from the March 31, 2017 total of \$19.2 million.
- Total assets decreased by \$2.4 million from \$21.5 million at March 31, 2017 to \$19.1 million at March 31, 2018.
- Capital assets were \$13.5 million at March 31, 2018, a decrease of \$659 thousand from the March 31, 2017, balance of \$14.1 million, primarily because of depreciation.
- Deferred Outflow of Resources decreased by \$23.6 thousand from \$201.8 thousand at March 31, 2017 to \$178.2 thousand at March 31, 2018.
- Liabilities decreased by approximately \$781.1 thousand million or 35% from \$2.3 million at March 31, 2017 to \$1.5 million at March 31, 2018.
- Revenue decreased by \$1.16 million for fiscal year 2018. The decrease was primarily in HUD Capital Grants.
- Operating expenses, excluding depreciation, increased by \$849 thousand or 13%, from \$6.29 million at March 31, 2017 to \$7.13 million at March 31, 2018.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Financial Highlights (continued)

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).

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Overview of the Financial Reports

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, 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 Blended Component unit is a not-for-profit organization 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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Overview of the Financial Reports

Additionally, the Authority is required to undergo an annual single audit as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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 (in thousands)

Table 1

	2018	2017	Change	Total Percentage Change
ASSETS				
Current Assets	\$ 588	\$ 2,324	\$ (1,736)	-75%
Non-Current Assets				
Notes Receivable	4,862	4,862	-	0%
Capital Assets	13,480	14,139	(659)	-5%
Total Non-Current Assets	18,342	19,001	(659)	-3%
Deferred Outflow of Resources	178	202	(24)	-12%
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 19,109	\$ 21,527	\$ (2,418)	-11%
LIABILITIES AND NET POSITION				
Current Liabilities	\$ 321	\$ 1,645	\$ (1,324)	-80%
Non Current Liabilities				
Accrued Comensated Absences	26	24	2	7%
Pension Liability	485	514	(29)	-6%
Other Non-Current Liabilities	635	65	571	880%
Total Non Current Liabilities	1,146	603	543	90%
Deferred Inflow of Resources	58	73	(14)	-19%
Total Liabilities and Deferred Inflows	1,525	2,320	(795)	-34%
Invested in Capital Assets	13,480	14,139	(659)	-5%
Restricted	78	271	(193)	-71%
Unrestricted	4,027	4,797	(770)	-16%
Total Net Position	17,584	19,207	(1,623)	-8%
TOTAL LIABILITIES AND NET POSITION	\$ 19,109	\$ 21,527	\$ (2,418)	-11%

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Financial Analysis of the Authority (continued)

As shown in Table 1, the Authority's total net position at March 31, 2018, was approximately \$17.58 million, a 8 percent decrease from the March 31, 2017 balance of \$19.1 million.

Total assets and deferred outflows decreased by 11% to approximately \$19.1 million mostly due to the normal depreciation of capital assets.

Total liabilities and deferred inflows decreased by \$795 thousand or about 34% from \$2.3 million at March 31, 2017, to \$1.5 million at March 31, 2018. The decrease mainly occurred because a significant decrease in accounts payable.

Change in Net Position (in thousands)

Table 2

	2018	2017	Change	Total Percentage Change
Tenant Revenues	\$ 607	\$ 590	\$ 18	3.0%
HUD Grant Revenue	5,848	7,046	(1,197)	-17.0%
Other Income	<u>197</u>	<u>178</u>	<u>19</u>	<u>10.6%</u>
Total Revenues	6,652	7,813	(1,161)	-14.9%
Operating Expenses	7,138	6,289	849	13.5%
Depreciation	<u>1,137</u>	<u>1,218</u>	<u>(81)</u>	<u>-6.6%</u>
Total Expenses	8,276	7,507	768	10.2%
Change in Net Position	(1,623)	307	(1,930)	-628.7%
Beginning Net Position	19,207	18,967	240	1.3%
Prior Period Adjustments	<u>-</u>	<u>(66)</u>	<u>66</u>	<u>0.0%</u>
Total Net Position	<u>\$ 17,584</u>	<u>\$ 19,207</u>	<u>\$ (1,623)</u>	<u>-8%</u>

As shown in Table 2, the Authority's total revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income decreased by \$1.16 million or 15%.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Financial Analysis of the Authority (continued)

Total expenses, including depreciation, increased by approximately 10 percent, changes are shown below in Table 3:

Table 3

	2018	2017	Change	Total Percentage Change
Administrative Expenses	\$ 924	\$ 816	\$ 108	13.3%
Utilities Expenses	460	447	13	3.0%
Ordinary Maintenance	678	678	(1)	-0.1%
Protective Services	14	14	(0)	-2.0%
General Expenses	1,028	409	619	151.2%
Housing Assistance Payments	4,035	3,925	110	2.8%
Depreciation Expense	1,137	1,218	(81)	-6.6%
Total Expenses	<u>\$ 8,276</u>	<u>\$ 7,507</u>	<u>\$ 768</u>	10.2%

Decreases occurred in depreciation. Increases occurred primarily in administrative, Housing Assistance Payments, utilities and general expenses.

Capital Assets

Capital assets decreased by approximately \$660 thousand from \$14.1 million to \$13.5 million, as shown in the table below:

Table 4

	March 31, 2017	Additions and Disposals	March 31, 2018
Land and Structures	\$ 31,043	\$ 53	\$ 31,095
Equipment and Furniture	1,837	-	1,837
Construction in Progress	1,190	426	1,615
Less Accumulated Depreciation	<u>19,931</u>	<u>1,137</u>	<u>21,068</u>
Total Capital Assets	<u>\$ 14,139</u>	<u>\$ (659)</u>	<u>\$ 13,480</u>

The Authority had additions of \$478 thousand and no disposals. The change in construction in progress of \$426 thousand resulted from the capitalization of several capital projects. Lastly, depreciation expense was \$1.14 million.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018

Notes Receivables and Deferred Inflows and Outflows 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 receivable and interest income are accumulated and are not required to be paid until the developments generate positive cash flow per HUD regulations.

Additionally, the Authority had deferred inflows and outflows of resources related to current and future pension requirements.

Budgetary Highlights

For the operating budget, the Chief Financial Officer submits a request for operating subsidies; based on expected rental income. The Executive 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. Most 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 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.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

Major Initiatives (continued)

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 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 Joseph Anderson, Chief Executive Officer, Housing Authority of the City of Muncie, 409 East First Street, Muncie, Indiana 47308, or call (765) 288-9242.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
STATEMENTS OF NET POSITION
March 31, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 199,495	\$ 1,942,832
Accounts receivable, net	351,501	344,021
Prepaid expenses	22,893	23,006
Material inventories	14,578	14,260
Total current assets	588,467	2,324,119
NONCURRENT ASSETS		
Capital assets, net	13,479,626	14,138,752
Notes receivable, net	4,862,442	4,862,442
Total noncurrent assets	18,342,068	19,001,194
Total assets	18,930,535	21,325,313
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	178,179	201,765
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 19,108,714	\$ 21,527,078

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
STATEMENTS OF NET POSITION
March 31, 2018 and 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2018	2017
CURRENT LIABILITIES		
Accounts payable	\$ 120,655	\$ 1,454,162
Accrued liabilities	30,498	15,439
Accrued compensated absences, current portion	36,347	38,006
Tenant security deposits	47,197	47,047
Unearned revenue	86,106	90,205
Total current liabilities	320,803	1,644,859
NONCURRENT LIABILITIES		
Trust deposits	6,779	14,353
Accrued compensated absences, net of current portion	25,641	24,033
Other noncurrent liabilities	628,632	50,454
Net pension liability	484,523	513,752
Total noncurrent liabilities	1,145,575	602,592
Total liabilities	1,466,378	2,247,451
DEFERRED INFLOWS OF RESOURCES		
Pension plan	58,386	72,514
NET POSITION		
Net investment in capital assets	13,479,626	14,138,752
Restricted	77,522	271,278
Unrestricted	4,026,802	4,797,083
Total net position	17,583,950	19,207,113
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 19,108,714	\$ 21,527,078

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended March 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Tenant charges	\$ 607,442	\$ 589,739
HUD operating grants	5,373,456	5,830,009
Other income	196,392	177,560
Total operating revenues	6,177,290	6,597,308
OPERATING EXPENSES		
Administration	924,324	815,960
Utilities	460,051	446,600
Ordinary maintenance	677,601	678,279
Protective services	14,112	14,400
General expenses	1,027,712	409,187
Housing assistance payments	4,034,506	3,924,604
Depreciation expense	1,137,229	1,218,106
Total operating expenses	8,275,535	7,507,136
Net operating income (loss)	(2,098,245)	(909,828)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	167	186
HUD capital grants	474,915	1,215,667
Total non-operating revenue (expenses)	475,082	1,215,853
Change in net position	(1,623,163)	306,025
Net position, beginning of year	19,207,113	18,966,801
Prior period adjustment	-	(65,713)
Net position, end of year	\$ 17,583,950	\$ 19,207,113

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
STATEMENTS OF CASH FLOWS
Years ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants and others	\$ 792,255	\$ 818,646
Receipts from federal government	5,373,456	5,668,634
Payments to employees	(851,358)	(807,659)
Payments to vendors and suppliers	<u>(7,054,667)</u>	<u>(4,243,662)</u>
Net cash flows provided by operating activities	<u>(1,740,314)</u>	<u>1,435,959</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
(Purchase)/sale of capital assets	(478,105)	(1,164,111)
Proceeds from capital grants	<u>474,915</u>	<u>1,215,667</u>
Net cash flows provided by capital and related financing activities	<u>(3,190)</u>	<u>51,556</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>167</u>	<u>186</u>
Net cash flows provided by investing activities	<u>167</u>	<u>186</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,743,337)	1,487,701
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,942,832</u>	<u>455,131</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 199,495</u>	<u>\$ 1,942,832</u>
 CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,098,245)	\$ (909,828)
 Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,137,229	1,218,106
Decrease (increase) in accounts receivable	(7,480)	(192,070)
Decrease (increase) in prepaid expenses	113	(2,270)
Decrease (increase) in material inventories	(318)	853
Decrease (increase) in deferred outflows of resources	23,586	(28,559)
Increase (decrease) in accounts payable	(1,434,987)	1,310,930
Increase (decrease) in accrued liabilities	687,244	(46,767)
Increase (decrease) in unearned revenue	(4,099)	77,979
Increase (decrease) in net pension liability	(29,229)	(14,096)
Increase (decrease) in deferred inflows of resources	<u>(14,128)</u>	<u>21,681</u>
 Net cash used in operating activities	<u>\$ (1,740,314)</u>	<u>\$ 1,435,959</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

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
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1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

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.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these criteria, the Authority is considered to be a *primary* government. It is a special-purpose government that has a separate governing body, is legally separate and is fiscally independent of other state or local governments. The Authority is not a component unit of Muncie, Indiana as the Board independently oversees the Authority's operations.

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.

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 established by Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

In accordance with uniform financial reporting standards for HUD programs, the financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Based on criteria established by HUD, the Authority reports its operations under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position.

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.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are segregated resources for tenant security deposits and other HUD mandated restrictions.

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 receivables may also contain un-reimbursed capital costs.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Inventories – Inventories are stated at the lower of cost or market.

Prepaid Expenditures – Payments made to vendors for services that will benefit periods beyond the fiscal year end, 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.
- 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.

Pensions - In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement 71 relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

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

Net Investment in Capital Assets – 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.

Income Taxes - The Authority is organized as a government and is exempt from taxation by the U.S. Internal Revenue Code. The Assisted Housing Development Corporation is organized under the laws of the State of Indiana and exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and from state income tax under the provisions of the State of Indiana Code. Accordingly, the accompanying financial statements do not include any provisions for income taxes.

Concentration of Risk - During the years ended March 31, 2018 and 2017, the Authority received approximately 90 percent of its funding from HUD.

C. Accounting Standards Issued Not Yet Adopted

GASB Statement No. 83, *Certain Asset Retirement Obligations* is effective for periods beginning after June 15, 2018 with earlier application encouraged. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for the recognition and measurement of certain Asset Retirement Obligations. The Authority has no such obligations, and therefore the Statement will have no impact on the financial statements.

GASB Statement No. 84, *Fiduciary Activities* is effective for periods beginning after December 15, 2018 with earlier application encouraged. This Statement will establish specific criteria for identifying activities that should be reported as fiduciary activities and clarify whether and how business-type activities should report their fiduciary activities. As the Authority currently does not undertake the activities defined in this Statement, there will be no material effect on the financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

C. Accounting Standards Issued Not Yet Adopted (continued)

GASB Statement No. 85, *Omnibus 2017* is effective for periods beginning after June 15, 2017 with earlier application encouraged. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Authority will evaluate this standard and determine to what extent it will have an impact on the financial statements.

2. BUDGET INFORMATION

The Authority is required by contractual agreements to adopt annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Multiyear appropriations for capital projects and special revenue funds are adopted for the length of the project and/or program and are annualized for accounting purposes. Budgets are submitted by the Authority's Executive Director, and approved by resolutions of the Board of Commissioners

Low Rent Housing Program 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.

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. There were no account balances in excess of the \$250,000 insured by the government and as such, the Authority does not maintain any collateralization.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
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March 31, 2018 and 2017

3. CASH AND CASH EQUIVALENTS (continued)

At March 31, 2018, cash totaled \$199,495, of which \$67,997 was unrestricted and \$131,498 was restricted. At March 31, 2017, cash totaled \$1,942,832, of which \$1,597,471 was unrestricted and \$345,361 was restricted. Below is a breakdown of the unrestricted and restricted cash at March 31, 2018 and 2017:

<u>Description</u>	<u>3/31/2018</u>	<u>3/31/2017</u>
Unrestricted cash	\$ 67,997	\$ 1,597,471
Restricted:		
Tenant security deposits	47,197	47,047
Section 8 HAP payments	-	271,278
FSS - escrow	6,779	14,353
Other restricted cash	<u>77,522</u>	<u>12,683</u>
Total restricted cash	<u>131,498</u>	<u>345,361</u>
 Total cash	 <u>\$ 199,495</u>	 <u>\$ 1,942,832</u>

The Authority has no policies related to credit risk, custodial credit risk, or interest rate risk.

4. ACCOUNTS RECEIVABLE

As of March 31, 2018 and 2017, accounts receivable totaled \$351,501 and \$344,021, respectively, and consisted of the following:

<u>Description</u>	<u>3/31/2018</u>	<u>3/31/2017</u>
Accounts receivable - tenants	\$ 77,800	\$ 35,205
Allowance for doubtful accounts - tenants	(40,386)	(9,823)
Accounts receivable - HUD	224,866	161,375
Accounts receivable - other	178,113	157,264
Allowance for doubtful accounts - other	<u>(88,892)</u>	<u>-</u>
	 <u>\$ 351,501</u>	 <u>\$ 344,021</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

4. ACCOUNTS RECEIVABLE (continued)

Ninety days after tenants move out, 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 2018 and 2017 totaled \$199,524 and \$95,636, respectively.

5. PREPAID EXPENSES

Prepaid expenses totaled \$22,893 and \$23,006, respectively, at March 31, 2018 and 2017, which consisted of prepaid insurance and other expenses.

6. MATERIAL INVENTORIES

Material inventories totaled \$14,578 and \$14,260 at March 31, 2018 and 2017. Material inventories are stated at the lower of cost or market.

7. LAND, STRUCTURES AND EQUIPMENT

The changes in land, structures and equipment during 2018 and 2017 were as follows:

	Balance April 1, 2017	Additions	Transfers/ Disposals	Balance March 31, 2018
Land	\$ 1,530,793	\$ -	\$ -	\$ 1,530,793
Buildings	29,511,953	52,527	-	29,564,480
Furniture & Equipment	1,837,060	-	-	1,837,060
Construction in progress	1,189,899	425,576	-	1,615,475
	<u>34,069,705</u>	<u>478,105</u>	<u>-</u>	<u>34,547,810</u>
Less Accumulated Depreciation:	<u>(19,930,953)</u>	<u>(1,137,231)</u>	<u>-</u>	<u>(21,068,184)</u>
 Total	 <u>\$ 14,138,752</u>	 <u>\$ (659,126)</u>	 <u>\$ -</u>	 <u>\$ 13,479,626</u>
	Balance April 1, 2016	Additions	Transfers/ Disposals	Balance March 31, 2017
Land	\$ 1,530,793	\$ -	\$ -	1,530,793
Buildings	28,844,841	667,112	-	29,511,953
Furniture & Equipment	1,816,642	20,418	-	1,837,060
Construction in progress	713,318	476,581	-	1,189,899
	<u>32,905,594</u>	<u>1,164,111</u>	<u>-</u>	<u>34,069,705</u>
Less Accumulated Depreciation:	<u>(18,712,847)</u>	<u>(1,218,106)</u>	<u>-</u>	<u>(19,930,953)</u>
 Total	 <u>\$ 14,192,747</u>	 <u>\$ (53,995)</u>	 <u>\$ -</u>	 <u>\$ 14,138,752</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

7. LAND, STRUCTURES AND EQUIPMENT (continued)

Changes in capital assets consist of purchases, depreciation and capital improvements made during the audit period. There were no disposals in 2018 or 2017.

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 2018 and 2017 totaled \$1,137,229 and \$1,218,106, respectively.

8. NOTES RECEIVABLE

The Authority loans funds to developers in conjunction with 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 for both March 31, 2018 and 2017 was 4,862,442. An allowance was created for the entire accrued interest receivable which on March 31, 2018 and 2017 totaled \$4,205,475 and \$3,771,515, respectively. The notes consisted of the following:

- a. 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 cashflow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Accrued interest at March 31, 2018 and 2017 totaled \$1,362,014 and \$1,233,663, respectively, with the total balance fully allowed for.
- b. On March 22, 2005, the Authority had loaned Millennium Place II, L.P. (an Indiana limited partnership) \$1,070,061. The loan matures in 20 years. Interest is charged at six (6.0%) percent per annum and is due at maturity on March 14, 2025. This loan was secured by a second priority mortgage lien on the real property. Interest shall be due and payable annually subject to available cash flow. All unpaid interest and unpaid principal shall be due and payable on the maturity date. Accrued interest at March 31, 2018 and 2017 totaled \$1,215,679 and \$1,086,297, respectively, with the total balance fully allowed for.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

8. NOTES RECEIVABLE (continued)

- c. 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 \$692,381. 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. Accrued interest at March 31, 2018 and 2017 totaled \$743,042 and \$666,089, respectively, with the total balance fully allowed for.
- d. 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. Accrued interest at March 31, 2018 and 2017 totaled \$884,740 and \$785,466, respectively, with the total balance fully allowed for.

At March 31, 2018, an allowance was created for the entire deferred interest income amount.

As of 3/31/2018	Notes Receivable	Accrued Interest	Allowance for Doubtful Accts	Net Receivable
Millennium Place I, L.P.	\$ 1,100,000	\$ 1,362,014	\$ (1,362,014)	1,100,000
Millennium Place II, L.P.	1,070,061	1,215,679	(1,215,679)	1,070,061
Millennium Place III, L.P.	1,492,381	743,042	(743,042)	1,492,381
Millennium Place IV, L.P.	<u>1,200,000</u>	<u>884,740</u>	<u>(884,740)</u>	<u>1,200,000</u>
Total	<u>\$ 4,862,442</u>	<u>\$ 4,205,475</u>	<u>\$ (4,205,475)</u>	<u>\$ 4,862,442</u>
As of 3/31/2017	Notes Receivable	Accrued Interest	Allowance for Doubtful Accts	Net Receivable
Millennium Place I, L.P.	\$ 1,100,000	\$ 1,233,663	\$ (1,233,663)	1,100,000
Millennium Place II, L.P.	1,070,061	1,086,297	(1,086,297)	1,070,061
Millennium Place III, L.P.	1,492,381	666,089	(666,089)	1,492,381
Millennium Place IV, L.P.	<u>1,200,000</u>	<u>785,466</u>	<u>(785,466)</u>	<u>1,200,000</u>
Total	<u>\$ 4,862,442</u>	<u>\$ 3,771,515</u>	<u>\$ (3,771,515)</u>	<u>\$ 4,862,442</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

8. NOTES RECEIVABLE (continued)

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.

9. OTHER NONCURRENT LIABILITIES

As a result of a review of the Authority's Housing Choice Voucher Program, HUD identified errors in the eligibility determination process and calculation of various program housing assistance payments and utility allowances. On December 18, 2017, the Authority reached an agreement with HUD whereby the Authority would pay \$604,360 in total through 2048 with equal yearly payments of \$20,145. The balance of this liability is \$598,323 at March 31, 2018 and is included in accounts payable and other noncurrent liabilities in the financial statements.

10. COMPENSATED ABSENCES

Compensated absences consist of the following at March 31, 2018 and 2017, respectively:

	Balance 4/1/2017	Additions	Reductions	Balance 3/31/2018	Due Within One Year
Compensated Absences	\$ 62,039	\$ 7,802	\$ (7,853)	\$ 61,988	\$ 36,347

	Balance 4/1/2016	Additions	Reductions	Balance 3/31/2017	Due Within One Year
Compensated Absences	\$ 58,606	\$ 11,592	\$ (8,159)	\$ 62,039	\$ 38,006

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
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11. DEFINED BENEFIT PENSION PLAN

Plan Description and Benefits Provided

The Authority provides benefits for all of its full-time employees through the Public Employee's Retirement Fund (PERF) of Indiana, a cost-sharing multiple-employer pension plan administered by the State of Indiana Public Retirement System (IPRS). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees.

IPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at www.in.gov.

Contributions

PERF consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2, plus the interest/earnings or losses credited to the member's account. PERF acts as an agent for all participating governmental units. 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 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.

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 11.2 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$60,366 for the year ended June 30, 2017.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

11. DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2018, the Authority reported a liability of \$484,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Authority's proportion was 0.02688 percent, which was a decrease of 0.02644 percent from its proportion measured as of June 30, 2016.

For the year ended March 31, 2018, the Authority recognized pension expense of \$91,215. At March 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,202	\$ 376
Changes in assumptions	7,779	-
Net difference between projected and actual earnings on pension plan investments	76,643	24,292
Changes in proportions and difference between Authority contributions and proportionate share of contributions	31,855	33,718
Authority contributions subsequent to the measurement date	52,700	-
	<u>\$ 178,179</u>	<u>\$ 58,386</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

11. DEFINED BENEFIT PENSION PLAN (continued)

\$52,700 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2019	\$ 72,370
2020	38,306
2021	11,723
2022	(2,606)
	\$ 119,793

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Future Salary Increases	2.5% - 4.25%
Cost-of-Living Increases	1.0% compounded annually on employer funded pension
Mortality Assumption	RP-2014 Mortality Total Data Set Mortality Table with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report. Disabled members assumes the RP-2014 Disabled Mortality Tables, with Social Security generational improvements from 2006 based on the Social Security Administration's 2014 Trustee Report.
Experience Study	The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.
Discount Rate	The discount rate used to measure the total pension liability as of June 30, 2017, is 6.75 percent and is equal to the long-term expected return on plan investments, net of administrative expenses.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
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11. DEFINED BENEFIT PENSION PLAN (continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the net pension liability	<u>\$ 706,658</u>	<u>\$ 484,524</u>	<u>\$ 299,868</u>

12. COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

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, 2018 and 2017 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.

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, 2018.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018 and 2017

12. COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS (continued)

Concentration of Risk – For both the years ended March 31, 2018 and 2017, the Authority received approximately 88 percent and 90 percent, respectively, of its funding from HUD.

13. RECLASSIFICATIONS

Certain reclassifications have been made in the 2017 financial statements to conform to classifications made in the current year.

14. SUBSEQUENT EVENTS

Management has performed an analysis of activities and transactions subsequent to March 31, 2018 and 2017, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the years ended March 31, 2018 and 2017. Management has performed their analysis through December 18, 2018, the date the financial statements were issued. The Authority has not evaluated events occurring after December 18, 2018 in these financial statements.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 4 Fiscal Years

	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Authority's proportion of the net pension liability (asset)	0.01086%	0.01132%	0.01296%	0.01276%
Authority's proportionate share of the net pension liability (asset)	\$ 484,523	\$ 513,752	\$ 527,848	\$ 335,325
Authority's covered-employee payroll	\$ 538,982	\$ 542,599	\$ 620,630	\$ 623,009
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.90%	94.68%	85.05%	53.82%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	75.3%	77.3%	84.3%

Note:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information was presented for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
Last 4 Fiscal Years

	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Contractually required contribution	\$ 60,366	\$ 60,549	\$ 69,544	\$ 65,984
Contributions in relation to the contractually required contribution	<u>60,366</u>	<u>60,549</u>	<u>69,544</u>	<u>65,984</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 538,982	\$ 542,599	\$ 620,630	\$ 623,009
Contributions as a percentage of covered-employee payroll	11.20%	11.16%	11.21%	10.59%

Note:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information was presented for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
March 31, 2018

	Project Total	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	14,866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 52,258	\$ -	\$ 15,739	\$ -	\$ -	\$ 67,997	\$ -	\$ 67,997
112 Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-
113 Cash - Other Restricted	77,522	6,779	-	-	-	84,301	-	84,301
114 Cash - Tenant Security Deposits	47,197	-	-	-	-	47,197	-	47,197
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-
100 Total Cash	176,977	6,779	15,739	-	-	199,495	-	199,495
121 Accounts Receivable - PHA Projects	-	27,015	-	-	-	27,015	-	27,015
122 Accounts Receivable - HUD Other Projects	-	224,866	-	-	-	224,866	-	224,866
124 Accounts Receivable - Other Government	-	-	-	-	372	372	-	372
125 Accounts Receivable - Miscellaneous	-	226	26,251	-	114,480	140,957	-	140,957
126 Accounts Receivable - Tenants	77,800	-	-	-	-	77,800	-	77,800
126.1 Allowance for Doubtful Accounts - Tenants	(40,386)	-	-	-	-	(40,386)	-	(40,386)
126.2 Allowance for Doubtful Accounts - Other	-	-	(26,251)	-	(62,641)	(88,892)	-	(88,892)
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-
128 Fraud Recovery	-	9,769	-	-	-	9,769	-	9,769
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	37,414	261,876	-	-	52,211	351,501	-	351,501
131 Investments - Unrestricted	-	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	16,348	-	-	-	6,545	22,893	-	22,893
143 Inventories	14,578	-	-	-	-	14,578	-	14,578
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-	-
144 Inter Program Due From	1,637,979	6,037	-	-	468,339	2,112,355	(2,112,355)	-
145 Assets Held for Sale	-	-	-	-	-	-	-	-
150 Total Current Assets	1,883,296	274,692	15,739	-	527,095	2,700,822	(2,112,355)	588,467
161 Land	1,297,327	-	90,947	-	142,519	1,530,793	-	1,530,793
162 Buildings	20,986,416	-	1,173,944	6,572,617	831,503	29,564,480	-	29,564,480
163 Furniture, Equipment & Machinery - Dwellings	305,178	-	-	-	-	305,178	-	305,178
164 Furniture, Equipment & Machinery - Administration	168,945	35,653	-	180,196	1,147,088	1,531,882	-	1,531,882
165 Leasehold Improvements	-	-	-	-	-	-	-	-
166 Accumulated Depreciation	(16,106,198)	(32,386)	(134,513)	(3,038,215)	(1,756,870)	(21,068,182)	-	(21,068,182)
167 Construction in Progress	1,615,475	-	-	-	-	1,615,475	-	1,615,475
168 Infrastructure	-	-	-	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	8,267,143	3,267	1,130,378	3,714,598	364,240	13,479,626	-	13,479,626
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	3,762,442	1,100,000	4,862,442	-	4,862,442
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-	-	-	-	-
180 Total Non-Current Assets	8,267,143	3,267	1,130,378	7,477,040	1,464,240	18,342,068	-	18,342,068
200 Deferred Outflow of Resources	83,133	38,872	-	-	56,174	178,179	-	178,179
290 Total Assets and Deferred Outflow of Resources	\$ 10,233,572	\$ 316,831	\$ 1,146,117	\$ 7,477,040	\$ 2,047,509	\$ 21,221,069	\$ (2,112,355)	\$ 19,108,714

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
March 31, 2018

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
311 Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312 Accounts Payable <= 90 Days	13,952	2,062	-	-	3,161	19,175	-	19,175
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	6,414	2,789	-	-	21,295	30,498	-	30,498
322 Accrued Compensated Absences - Current Portion	16,875	4,546	-	-	14,926	36,347	-	36,347
324 Accrued Contingency Liability	-	-	-	-	-	-	-	-
325 Accrued Interest Payable	-	-	-	-	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-	-	-
341 Tenant Security Deposits	47,197	-	-	-	-	47,197	-	47,197
342 Unearned Revenue	86,106	-	-	-	-	86,106	-	86,106
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-
345 Other Current Liabilities	12,598	-	-	-	20,145	32,743	-	32,743
346 Accrued Liabilities - Other	33,494	-	729	-	34,514	68,737	-	68,737
347 Inter Program - Due To	-	149,396	316,654	11,673	1,634,632	2,112,355	(2,112,355)	-
348 Loan Liability - Current	-	-	-	-	-	-	-	-
310 Total Current Liabilities	216,636	158,793	317,383	11,673	1,728,673	2,433,158	(2,112,355)	320,803
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-
353 Non-current Liabilities - Other	-	6,779	-	-	628,632	635,411	-	635,411
354 Accrued Compensated Absences - Non Current	16,206	5,492	-	-	3,943	25,641	-	25,641
355 Loan Liability - Non Current	-	-	-	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	236,621	106,515	-	-	141,387	484,523	-	484,523
350 Total Non-Current Liabilities	252,827	118,786	-	-	773,962	1,145,575	-	1,145,575
300 Total Liabilities	469,463	277,579	317,383	11,673	2,502,635	3,578,733	(2,112,355)	1,466,378
400 Deferred Inflow of Resources	28,514	12,835	-	-	17,037	58,386	-	58,386
508.4 Net Investment in Capital Assets	8,267,143	3,267	1,130,378	3,714,598	364,240	13,479,626	-	13,479,626
509.3 Restricted Fund Balance	-	-	-	-	-	-	-	-
510.3 Committed Fund Balance	-	-	-	-	-	-	-	-
511.3 Assigned Fund Balance	-	-	-	-	-	-	-	-
511.4 Restricted Net Position	77,522	-	-	-	-	77,522	-	77,522
512.3 Unassigned Fund Balance	-	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	1,390,930	23,150	(301,644)	3,750,769	(836,403)	4,026,802	-	4,026,802
513 Total Equity - Net Assets / Position	9,735,595	26,417	828,734	7,465,367	(472,163)	17,583,950	-	17,583,950
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 10,233,572	\$ 316,831	\$ 1,146,117	\$ 7,477,040	\$ 2,047,509	\$ 21,221,069	\$ (2,112,355)	\$ 19,108,714

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
March 31, 2018

	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	\$ 543,172	\$ -	\$ -	\$ -	\$ -	\$ 543,172	\$ -	\$ 543,172
70400 Tenant Revenue - Other	64,270	-	-	-	-	64,270	-	64,270
70500 Total Tenant Revenue	<u>607,442</u>	-	-	-	-	<u>607,442</u>	-	<u>607,442</u>
70600 HUD PHA Operating Grants	1,315,511	4,057,945	-	-	-	5,373,456	-	5,373,456
70610 Capital Grants	474,915	-	-	-	-	474,915	-	474,915
70710 Management Fee	-	-	-	-	311,841	311,841	(311,841)	-
70720 Asset Management Fee	-	-	-	-	23,880	23,880	(23,880)	-
70730 Book Keeping Fee	-	-	-	-	26,024	26,024	(26,024)	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	14,113	14,113	-	14,113
70700 Total Fee Revenue	-	-	-	-	<u>375,858</u>	<u>375,858</u>	<u>(361,745)</u>	<u>14,113</u>
70800 Other Government Grants	-	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	-	38	-	-	129	167	-	167
71200 Mortgage Interest Income	-	-	-	-	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-	-	-	-
71400 Fraud Recovery	-	5,652	-	-	-	5,652	-	5,652
71500 Other Revenue	126,915	34,444	-	-	29,970	191,329	(14,702)	176,627
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-
72000 Investment Income - Restricted	-	-	-	-	-	-	-	-
70000 Total Revenue	<u>2,524,783</u>	<u>4,098,079</u>	<u>-</u>	<u>-</u>	<u>405,957</u>	<u>7,028,819</u>	<u>(376,447)</u>	<u>6,652,372</u>
91100 Administrative Salaries	133,304	127,831	-	-	230,669	491,804	-	491,804
91200 Auditing Fees	22,650	6,250	-	-	3,000	31,900	-	31,900
91300 Management Fee	207,285	104,556	-	-	-	311,841	(311,841)	-
91310 Book-keeping Fee	26,024	-	-	-	-	26,024	(26,024)	-
91400 Advertising and Marketing	-	-	-	-	233	233	-	233
91500 Employee Benefit contributions - Administrative	57,242	52,303	-	-	43,622	153,167	-	153,167
91600 Office Expenses	33,782	26,209	-	-	83,052	143,043	-	143,043
91700 Legal Expense	-	-	-	-	32,544	32,544	-	32,544
91800 Travel	3,319	575	-	-	14,982	18,876	-	18,876
91810 Allocated Overhead	-	-	-	-	-	-	-	-
91900 Other	19,002	5,176	3,156	-	40,125	67,459	(14,702)	52,757
91000 Total Operating - Administrative	<u>502,608</u>	<u>322,900</u>	<u>3,156</u>	<u>-</u>	<u>448,227</u>	<u>1,276,891</u>	<u>(352,567)</u>	<u>924,324</u>
92000 Asset Management Fee	23,880	-	-	-	-	23,880	(23,880)	-
92100 Tenant Services - Salaries	-	-	-	-	-	-	-	-
92200 Relocation Costs	-	-	-	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-
92400 Tenant Services - Other	-	-	-	-	-	-	-	-
92500 Total Tenant Services	<u>23,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,880</u>	<u>(23,880)</u>	<u>-</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
March 31, 2018

	Project Total	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	14,866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
Expenses (continued):								
93100 Water	47,060	-	2,940	-	1,038	51,038	-	51,038
93200 Electricity	89,140	-	18,191	-	15,052	122,383	-	122,383
93300 Gas	34,852	-	1,584	-	4,379	40,815	-	40,815
93400 Fuel	-	-	-	-	-	-	-	-
93500 Labor	-	-	-	-	-	-	-	-
93600 Sewer	239,611	-	4,767	-	1,437	245,815	-	245,815
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-
93800 Other Utilities Expense	-	-	-	-	-	-	-	-
93000 Total Utilities	410,663	-	27,482	-	21,906	460,051	-	460,051
94100 Ordinary Maintenance and Operations - Labor	150,176	-	-	-	-	150,176	-	150,176
94200 Ordinary Maintenance and Operations - Materials and Other	103,445	-	63	-	2,479	105,987	-	105,987
94300 Ordinary Maintenance and Operations Contracts	304,985	28,140	9,045	-	23,057	365,227	-	365,227
94500 Employee Benefit Contributions - Ordinary Maintenance	56,211	-	-	-	-	56,211	-	56,211
94000 Total Maintenance	614,817	28,140	9,108	-	25,536	677,601	-	677,601
95100 Protective Services - Labor	-	-	-	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	14,112	14,112	-	14,112
95300 Protective Services - Other	-	-	-	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	14,112	14,112	-	14,112
96110 Property Insurance	36,014	-	-	-	26,626	62,640	-	62,640
96120 Liability Insurance	22,790	-	-	-	2,815	25,605	-	25,605
96130 Workmen's Compensation	10,967	5,486	-	-	7,101	23,554	-	23,554
96140 All Other Insurance	11,675	-	-	-	4,719	16,394	-	16,394
96100 Total insurance Premiums	81,446	5,486	-	-	41,261	128,193	-	128,193
96200 Other General Expenses	31,644	4,691	1,600	-	606,971	644,906	-	644,906
96210 Compensated Absences	-	-	-	-	7,802	7,802	-	7,802
96300 Payments in Lieu of Taxes	-	-	-	-	25,417	25,417	-	25,417
96400 Bad debt - Tenant Rents	110,632	-	-	-	-	110,632	-	110,632
96500 Bad debt - Mortgages	-	-	-	-	-	-	-	-
96600 Bad debt - Other	-	-	26,251	-	62,641	88,892	-	88,892
96800 Severance Expense	-	-	-	-	-	-	-	-
96000 Total Other General Expenses	142,276	4,691	27,851	-	702,831	877,649	-	877,649
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	-	-	-	-	-	-	-	-
96900 Total Operating Expenses	1,775,690	361,217	67,597	-	1,253,873	3,482,257	(376,447)	3,081,930
97000 Excess of Operating Revenue over Operating Expenses	749,093	3,736,862	(67,597)	-	(847,916)	3,546,562	-	3,570,442

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
March 31, 2018**

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.866 Revitalization of Severely Distressed Public Housing	COCC	Subtotal	ELIM	Total
Expenses (continued):								
97100 Extraordinary Maintenance	-	-	-	-	-	-	-	-
97200 Casualty Losses - Non-capitalized	21,870	-	-	-	-	21,870	-	21,870
97300 Housing Assistance Payments	-	4,016,407	-	-	-	4,016,407	-	4,016,407
97350 HAP Portability-In	-	18,099	-	-	-	18,099	-	18,099
97400 Depreciation Expense	724,670	817	29,349	337,640	44,753	1,137,229	-	1,137,229
97500 Fraud Losses	-	-	-	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-	-	-	-	-
90000 Total Expenses	2,522,230	4,396,540	96,946	337,640	1,298,626	8,675,862	(376,447)	8,275,535
10000 Excess of Total Revenue Over Total Expenses	2,553	(298,461)	(96,946)	(337,640)	(892,669)	(1,647,043)	-	(1,623,163)
10010 Operating Transfer In	100,500	-	-	-	-	100,500	-	100,500
10020 Operating transfer Out	(100,500)	-	-	-	-	(100,500)	-	(100,500)
Beginning Net Position	9,733,042	324,878	925,680	7,803,007	420,506	19,207,113	-	19,207,113
Ending Net Position	\$ 9,735,595	\$ 26,417	\$ 828,734	\$ 7,465,367	\$ (472,163)	\$ 17,560,070	-	\$ 17,583,950



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Housing Authority of the City of Muncie (the Authority) as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 2018.

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 opinion 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 a 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 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 weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2018-001, that we consider to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Bethesda, Maryland
December 18, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Muncie (the Authority's) compliance with the types of compliance requirements described in the *OMB 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Basis for Qualified Opinion on Public and Indian Housing, Capital Fund Program, and Housing Choice Vouchers

As described in the accompanying schedule of finding and questioned costs, the Authority did not comply with requirements related to cash management in the Public and Indian Housing, Capital Fund Program, and Housing Choice Vouchers, as described in finding numbers 2018-002 and 2018-003. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to those programs.

Qualified Opinion on Public and Indian Housing, Capital Fund Program, and Housing Choice Vouchers

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Public and Indian Housing and the Capital Fund Programs for the year ended March 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 through 2018-006. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

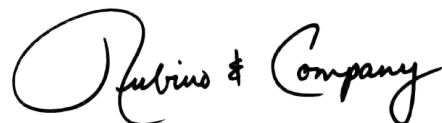
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 that we consider to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Rubins & Company". The signature is written in dark ink and is positioned to the right of the typed address and date.

Bethesda, Maryland
December 18, 2018

HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2018

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
Department of Housing and Urban Development Programs		
Low Rent Public Housing	14.850	1,200,309
Capital Fund Program	14.872	590,117
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	4,057,945
Total Department of Housing and Urban Development Programs		5,848,371
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 5,848,371

The accompanying notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Housing Authority of the City of Muncie (the “Authority”) under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material Weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Noncompliance material to financial statements noted? | Yes |

Federal Awards

- | | |
|---|-----------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 5. Type of auditor’s report issued on compliance for major programs: | Qualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. Identification of major federal programs: | |

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	
Housing Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	\$ 4,057,945
Public Housing Capital Fund	14.872	\$ 590,117
8. Dollar threshold used to distinguish between type A and type B programs:		\$ 750,000
9. Auditee qualified as low-risk auditee?		No

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-001

Improper use of Federal Funds (Material Weakness, Noncompliance)

Criteria: Per the repayment agreement between the Authority and HUD, the Authority is required to make annual payments of \$20,145 using non-federal funds starting March 15, 2018.

Condition: The Authority made payments of \$6,037 in the current year to HUD under the repayment agreement but used federal funds to do so.

Effect: Utilizing federal funds to make the payment violates the terms of the repayment agreement with HUD.

Cause: The Authority has not maintained a consistent cost allocation process which has resulted in there being no non-federal funds available to make these payments.

Auditor's Recommendation: We recommend that the Authority perform an internal review of their cost allocation process to determine non-federally funded costs so as to properly allocate and measure the use of cash to determine the amount of non-federal funds available from which to make payments under the terms of the agreement.

Views of Responsible Officials: We agree with this finding and the auditor's recommendation to perform an internal review of the cost allocation process to determine non-federally funded costs to properly allocate and measure the use of cash to determine the amount of non-federal funds available from which to make payments under the terms of the agreement.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-002

Cash Management – Material Weakness, Noncompliance

Federal Program: CFDA 14.872, Capital Fund Program

Criteria: Per 31 CFR section 205.12(b)(5), reimbursement requests of federal funding for expenses must be requested only after the costs have been paid.

Condition: The Authority requested CFP funding through eLOCCS of \$96,900 and only expended \$19,378, resulting in \$77,522 in advance funding. These funds have not yet been spent because the project is still in progress as of the report date.

Context: The Authority drew down over \$590,000 in CFP funds during the year.

Questioned Costs: There are no questioned costs associated with this finding.

Effect: This violates federal cash management regulations resulting in noncompliance. In addition, the drawdown of federal funds in advance of incurring the related expenses could impair the Authority's ability to properly record CFP activity and participate in future HUD programs, thereby impairing the Authority's ability to fund capital improvements.

Cause: The Authority does not maintain a checklist for drawing CFP funding which would allow them to determine that costs have been incurred and paid prior to requesting reimbursement under the grant and drawing the funds.

Repeat Finding: This is a repeat finding from the prior year audit reported as 2017-002.

Recommendation: We recommend that the Authority develop a checklist which includes documentation that costs and been incurred and paid prior to requesting reimbursement under the program.

Views of Responsible Officials: We agree with this finding and the auditor's recommendation to develop a checklist which includes documentation that costs have been incurred and paid prior to requesting reimbursement under the program.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-003

Cash Management – Material Weakness, Material Noncompliance

Federal Program: CFDA 14.850, Public and Indian Housing; CFDA 14.872, Capital Fund Program; CFDA 14.871, Housing Choice Vouchers

Criteria: Federal guidelines, HUD regulations, and specific grant provisions mandate that federal funds not be commingled with other federally funded programs and that the funds for one program not be utilized to pay for the costs of another program.

Condition: Based on the balance in the Authority’s “Inter-program Due to/from” accounts, it appears that funds from the Public and Indian Housing Program and the Capital Fund Program are being utilized to pay for costs of the Housing Choice Voucher Program. The Authority is unable to provide supporting documentation for the receivable and payable balances to identify amounts due to or from specific programs and the balance in these accounts represents a significant portion of program costs incurred.

Context: Substantially all Housing Authorities utilize Due to/from accounts, especially those that utilize a central bank account from which to disburse. However, this activity is “cleared” on a regular basis as the programs reimburse those funds as federal funds are received.

Questioned Costs: \$1,644,016

Effect: The Authority risks violating federal funding regulations as it is unable to support the amounts due to/from each program and cannot properly request funds from a specific program because it cannot determine which program utilized the payments.

Cause: The Authority is not properly clearing transactions subsequent to their completion and not properly reimbursing programs from which funds are paid on behalf of other programs.

Auditors’ Recommendation: We recommend that the Authority perform an analysis of the Due to/from accounts, remove all transactions that have cleared, and determine the proper balance due to or from each program. Funds should then be transferred accordingly on a regular, ongoing basis to ensure that the balances in these accounts do not continue to increase.

Views of Responsible Officials: We agree with this finding and the auditor’s recommendation to perform an analysis of the Due to/from accounts, remove all transactions that have cleared, and determine the proper balance due to or from each program. Funds will be transferred accordingly on a regular, ongoing basis to ensure that the balances in these accounts do not continue to increase.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-004

Special Tests and Provisions – Other Matters

Federal Program: CFDA 14.872, Capital Fund Program

Criteria: Per 2 CFR Part 200, Appendix XI, Compliance Supplement, an environmental review must be completed for any project or activities before a PHA may acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds at an assisted or to-be-assisted site.

Condition: The Authority did not perform an environmental review for the construction work performed during fiscal year 2018 at Autumn Woods.

Questioned Costs: There are no questioned costs associated with this finding.

Context: The Authority had one major construction contract during fiscal year 2018 at Autumn Woods.

Effect: This violates compliance requirements of the program and could create an environmental risk related to the work performed.

Cause: The Authority does not maintain a checklist for procedures required before commencing work on Capital Fund projects. Such a checklist would allow them to be aware of compliance requirements including the necessity of the environmental review.

Auditor's Recommendation: We recommend that the Authority develop a capital fund checklist which documents all requirements related to the capital fund grant.

Views of Responsible Officials: We agree with this finding and the auditor's recommendation to develop a capital fund checklist which documents all requirements related to the capital fund grant.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-005

Reporting – Other Matters

Federal Program: CFDA 14.872, Capital Fund Program

Criteria: Upon expenditures by the PHA of all funds, or termination by HUD of the activities funded in a modernization or development program, a PHA shall submit the closeout forms, including the Actual Modernization Cost Certificate (AMCC), to their local HUD field office for review and approval. PHAs must submit the AMCC within 90 days after the expenditure deadline.

Condition: For five Capital Fund Program (CFP) grants whose expenditure reporting deadlines were due by December 2016 and January 2017 based on the final expenditure date, the Authority did not submit their AMCCs to their local HUD field office until July 25, 2018. The reporting for these grants is due within 90 days of the final expenditure.

Context: All five CFP grants that are available for closing were not submitted on time.

Questioned Costs: There are no questioned costs related to this finding.

Effect: The delay of submitting closeout forms to HUD could impair the Authority's ability to properly record CFP activity and participate in future HUD programs, thereby impairing the Authority's ability to fund capital improvements.

Cause: The Authority does not have a checklist for closing CFP grants, including noting the deadline for AMCC submission at the beginning of the grant and monitoring that deadline throughout the grant period.

Recommendation: We recommend that the Authority develop a checklist for closing CFP grants which includes noting the deadline for AMCC submission at the beginning of the grant and monitoring that deadline throughout the grant period.

Views of Responsible Officials: We agree with the auditor's finding and recommendation to develop a checklist for closing CFP grants which includes noting the deadline for AMCC submission at the beginning of the grant and monitoring that deadline throughout the grant period.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-006

Special Tests and Provision – Other Matters

Federal Program: CFDA 14.871, Housing Choice Vouchers

Criteria: Per 24 CFR section 982.156, Housing Authorities are required to enter into depository agreements with their financial institutions in the form required by HUD.

Condition: The Authority did not set up a depository agreement with their financial institution.

Context: The Authority only has one financial institution which requires a depository agreement.

Questioned Costs: There are no questioned costs associated with this finding.

Effect: The Authority risks violating federal regulations, not maintaining proper safeguards over federal funds, and not providing third-party rights to HUD.

Cause: The Authority is not following HUD regulations with respect to how it operates with financial institutions.

Auditors' Recommendation: We recommend that the Authority obtain depository agreements with all financial institutions with which it maintains accounts.

Views of Responsible Officials: We agree with this finding and the auditor's recommendation to obtain depository agreements with all financial institutions in which we have accounts.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018**

SECTION I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding 2017-001

Significant Deficiency

Condition: The Authority has had prior periods in both of the last two years. The prior period in the current year related to improper reporting related to the accounting treatment for certain maintenance costs. \$65,713 in maintenance costs were incorrectly capitalized.

Current Year Status: There was no prior period adjustment in the current year. **This finding is cleared.**

SECTION II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2017-002

Cash Management – Material Weakness, Material Noncompliance

Condition: The Authority requested CFP funding through eLOCCS of \$96,900 and only expensed \$19,378, resulting in \$77,522 in advance funding. These funds have not yet been spent because the project is still in progress as of the report date.

Current Year Status: The Authority did not expend the funds during fiscal year ending March 31, 2018. **This finding is repeated in the current year as Finding 2018-002.**

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
CORRECTIVE ACTION PLAN
March 31, 2018**

Finding 2018-001 Improper use of Federal Funds

Corrective Action Plan: We will perform an internal review of the cost allocation process to determine non-federally funded costs to properly allocate and measure the use of cash to determine the amount of non-federal funds available from which to make payments under the terms of the agreement.

Contact Person: Jerri Bost, Chief Operating Officer/Chief Financial Officer

Anticipated Completion Date: March 2019

Finding 2018-002 Cash Management (Advance Funding)

Corrective Action Plan: We will develop and checklist which includes documentation that costs have been incurred and paid prior to requesting reimbursement under the program.

Contact Person: Jerri Bost, Chief Operating Officer/Chief Financial Officer

Anticipated Completion Date: March 2019

Item 2018-003 Cash Management (Commingling of Funds)

Corrective Action Plan: We will perform an analysis of the Due to/from accounts, remove all transactions that have cleared, and determine the proper balance due to or from each program. Funds will be transferred accordingly on a regular, ongoing basis to ensure that the balances in these accounts do not continue to increase.

Contact Person: Jerri Bost, Chief Operating Officer/Chief Financial Officer

Anticipated Completion Date: March 2019

Item 2018-004 Special Tests and Provisions (Environmental Reviews)

Corrective Action Plan: We will develop a capital fund checklist which documents all requirements related to the capital fund grant.

Contact Person: Jerri Bost, Chief Operating Officer/Chief Financial Officer

Anticipated Completion Date: March 2019

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
CORRECTIVE ACTION PLAN
Year Ended March 31, 2018**

Item 2018-005 Reporting (AMCCs)

Corrective Action Plan: We will develop a checklist for closing CFP grants which includes noting the deadline for AMCC submission at the beginning of the grant and monitoring that deadline throughout the grant period.

Contact Person: Jerri Bost, Chief Operating Officer/Chief Financial Officer

Anticipated Completion Date: March 2019

Item 2018-006 Special Tests and Provisions (Depository Agreement)

Corrective Action Plan: We will obtain depository agreements with all financial institutions in which we have accounts.

Contact Person: Jerri Bost, Chief Operating Officer/Chief Financial Officer

Anticipated Completion Date: March 2019