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April 20, 2020

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, 2018 to March 31, 2019. 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, 2019, 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 finding included in the report on page 63. 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 page 69.

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

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

**HOUSING AUTHORITY OF
THE CITY OF MUNCIE**

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

Years Ended March 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 32-45 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, Condensed Financial Statements - Assisted Housing Development Corporation (AHDC) 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, Condensed Financial Statements - Assisted Housing Development Corporation (AHDC) 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, Condensed Financial Statements - Assisted Housing Development Corporation (AHDC) 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 5, 2019 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.

A handwritten signature in cursive script that reads "Rubino & Company". The signature is written in black ink and is centered on the page.

Bethesda, Maryland
December 5, 2019

HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2019

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, 2019, with selective comparison to the financial performance for the fiscal year ended March 31, 2018. 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, 2019. 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, 2019, was \$17 million a decrease of \$.6 million from the March 31, 2018 total of \$17.6 million.
- Total assets decreased by \$.6 million from \$19.1 million at March 31, 2018 to \$18.5 million at March 31, 2019.
- Capital assets were \$12.8 million at March 31, 2019, a decrease of \$.7 million from the March 31, 2018, balance of \$13.5 million, primarily because of depreciation.
- Deferred Outflow of Resources decreased by \$55 thousand from \$178.2 thousand at March 31, 2018 to \$123 thousand at March 31, 2019.
- Total liabilities decreased by approximately \$163 thousand from \$1.5 million at March 31, 2018 to \$1.3 million at March 31, 2019.
- Revenue increased by \$1.08 million for fiscal year 2019. The increase was primarily in HUD Operating Revenue.
- Total expenses, excluding depreciation, were relatively unchanged and at March 31, 2019 and 2018 amounted to \$7.13 million.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2019

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, 2019

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 – Assisted Housing Development Center 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, 2019**

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

	2019	2018	Change	Total Percentage Change
ASSETS				
Current Assets	\$ 687	\$ 588	\$ 98	17%
Non-Current Assets				
Notes Receivable	4,862	4,862	-	0%
Capital Assets	12,787	13,480	(693)	-5%
Total Non-Current Assets	17,649	18,342	(693)	-4%
Deferred Outflow of Resources	123	178	(55)	-31%
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 18,459	\$ 19,109	\$ (650)	-3%
LIABILITIES AND NET POSITION				
Current Liabilities	\$ 255	\$ 321	\$ (66)	-20%
Non Current Liabilities				
Accrued Comensated Absences	20	26	(5)	-21%
Pension Liability	419	485	(66)	-14%
Other Non-Current Liabilities	608	635	(27)	-4%
Total Non Current Liabilities	1,048	1,146	(98)	-9%
Deferred Inflow of Resources	108	58	50	86%
Total Liabilities and Deferred Inflows	1,411	1,525	(114)	-7%
Invested in Capital Assets	12,787	13,480	(693)	-5%
Restricted	-	78	(78)	-100%
Unrestricted	4,261	4,027	234	6%
Total Net Position	17,048	17,584	(536)	-3%
TOTAL LIABILITIES AND NET POSITION	\$ 18,459	\$ 19,109	\$ (650)	-3%

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2019**

Financial Analysis of the Authority (continued)

As shown in Table 1, the Authority's total net position at March 31, 2019, was approximately \$17.04 million, a 3 percent decrease from the March 31, 2018 balance of \$17.58 million.

Total assets and deferred outflows decreased by \$650 thousand to approximately \$18.4 million mostly due to the normal depreciation of capital assets.

Total liabilities and deferred inflows decreased by \$114 thousand or about 7% from \$1.5 million at March 31, 2018, to \$1.4 million at March 31, 2019. The decrease mainly occurred because of lower accrued liabilities.

Change in Net Position (in thousands)

Table 2

	2019	2018	Change	Total Percentage Change
Tenant Revenues	\$ 606	\$ 607	\$ (2)	-0.3%
HUD Grant Revenue	6,967	5,848	1,119	19.1%
Other Income	<u>170</u>	<u>197</u>	<u>(27)</u>	<u>-13.5%</u>
Total Revenues	7,743	6,652	1,090	16.4%
Operating Expenses	7,139	7,137	2	0.0%
Depreciation	<u>1,139</u>	<u>1,137</u>	<u>2</u>	<u>0.2%</u>
Total Expenses	8,279	8,275	4	0.0%
Change in Net Position	(536)	(1,624)	1,088	-67.0%
Beginning Net Position	<u>17,583</u>	<u>19,207</u>	<u>(1,624)</u>	<u>-8.5%</u>
Total Net Position	<u>\$ 17,047</u>	<u>\$ 17,583</u>	<u>\$ (536)</u>	<u>-3%</u>

As shown in Table 2, the Authority's total revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income increased by \$1.09 million or 16%.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2019**

Financial Analysis of the Authority (continued)

Total expenses, including depreciation, remained fairly consistent with the prior year, changes are shown below in Table 3:

Table 3

	2019	2018	Change	Total Percentage Change
Administrative Expenses	\$ 1,033	\$ 924	\$ 108	11.7%
Utilities Expenses	433	460	(27)	-5.9%
Ordinary Maintenance	720	678	43	6.3%
Protective Services	16	14	1	10.0%
General Expenses	469	1,028	(558)	-54.3%
Housing Assistance Payments	4,468	4,035	434	10.8%
Depreciation Expense	1,139	1,137	2	0.2%
Total Expenses	<u>\$ 8,279</u>	<u>\$ 8,276</u>	<u>\$ 3</u>	<u>0.0%</u>

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

Capital Assets

Capital assets decreased by approximately \$693 thousand from \$13.5 million to \$12.8 million, as shown in the table below:

Table 4

	March 31, 2018	FY 19 activity	March 31, 2019
Land and Structures	\$ 31,095	\$ 1,950	\$ 33,045
Equipment and Furniture	1,837	63	1,900
Construction in Progress	1,615	(1,615)	-
Less Accumulated Depreciation	<u>(21,068)</u>	<u>(1,090)</u>	<u>(22,158)</u>
Total Capital Assets	<u>\$ 13,480</u>	<u>\$ (693)</u>	<u>\$ 12,787</u>

The Authority had additions of \$479 thousand and disposals of \$54 thousand. The change in construction in progress of \$1.61 million resulted from the capitalization of several capital projects. Lastly, depreciation expense was \$1.1 million.

HOUSING AUTHORITY OF THE CITY OF MUNCIE
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2019

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, 2019**

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, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 296,947	\$ 199,495
Accounts receivable, net	349,039	351,501
Prepaid expenses	26,078	22,893
Materials inventory	14,859	14,578
Total current assets	686,923	588,467
NONCURRENT ASSETS		
Capital assets, net	12,786,935	13,479,626
Notes receivable, net	4,862,442	4,862,442
Total noncurrent assets	17,649,377	18,342,068
Total assets	18,336,300	18,930,535
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	122,810	178,179
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,459,110	\$ 19,108,714

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

HOUSING AUTHORITY OF THE CITY OF MUNCIE
STATEMENTS OF NET POSITION
March 31, 2019 and 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 65,479	\$ 120,655
Accrued liabilities	2,731	30,498
Accrued compensated absences, current portion	41,578	36,347
Tenant security deposits	53,207	47,197
Unearned revenue	92,227	86,106
Total current liabilities	255,222	320,803
NONCURRENT LIABILITIES		
Trust deposits	-	6,779
Accrued compensated absences, net of current portion	20,232	25,641
Other noncurrent liabilities	608,487	628,632
Net pension liability	418,857	484,523
Total noncurrent liabilities	1,047,576	1,145,575
Total liabilities	1,302,798	1,466,378
DEFERRED INFLOWS OF RESOURCES		
Pension plan	108,315	58,386
NET POSITION		
Net investment in capital assets	12,786,935	13,479,626
Restricted	-	77,522
Unrestricted	4,261,062	4,026,802
Total net position	17,047,997	17,583,950
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 18,459,110	\$ 19,108,714

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Tenant charges	\$ 605,553	\$ 607,442
HUD operating grants	6,583,054	5,373,456
Other income	169,827	196,392
Total operating revenues	7,358,434	6,177,290
 OPERATING EXPENSES		
Administration	1,032,534	924,324
Utilities	433,062	460,051
Ordinary maintenance	720,475	677,601
Protective services	15,524	14,112
General expenses	469,314	1,027,712
Housing assistance payments	4,468,401	4,034,506
Depreciation expense	1,139,334	1,137,229
Total operating expenses	8,278,644	8,275,535
Net operating income (loss)	(920,210)	(2,098,245)
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	150	167
Gain/(loss) on sale of capital assets	10,081	-
HUD capital grants	374,026	474,915
Total non-operating revenue (expenses)	384,257	475,082
Change in net position	(535,953)	(1,623,163)
Net position, beginning of year	17,583,950	19,207,113
Net position, end of year	\$ 17,047,997	\$ 17,583,950

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants and others	\$ 783,963	\$ 792,255
Receipts from federal government	6,583,054	5,373,456
Payments to employees	(895,030)	(851,358)
Payments to vendors and suppliers	(6,312,147)	(7,054,667)
Net cash flows provided (used) by operating activities	159,840	(1,740,314)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
(Purchase)/sale of capital assets	(454,749)	(478,105)
Proceeds from sale of equipment	18,185	-
Proceeds from capital grants	374,026	474,915
Net cash flows (used) by capital and related financing activities	(62,538)	(3,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	150	167
Net cash flows provided by investing activities	150	167
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	97,452	(1,743,337)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	199,495	1,942,832
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 296,947	\$ 199,495
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (920,210)	\$ (2,098,245)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,139,334	1,137,229
Decrease (increase) in accounts receivable	2,462	(7,480)
Decrease (increase) in prepaid expenses	(3,185)	113
Decrease (increase) in material inventories	(281)	(318)
Decrease (increase) in deferred outflows of resources	55,369	23,586
Increase (decrease) in accounts payable	(184)	(1,434,987)
Increase (decrease) in accrued liabilities	(103,849)	687,244
Increase (decrease) in unearned revenue	6,121	(4,099)
Increase (decrease) in net pension liability	(65,666)	(29,229)
Increase (decrease) in deferred inflows of resources	49,929	(14,128)
Net cash provided by (used) in operating activities	\$ 159,840	\$ (1,740,314)

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, 2019 and 2018

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
March 31, 2019 and 2018

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 AHDC 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, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018, 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.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

1. ORGANIZATION AND PROGRAM DESCRIPTION (continued)

C. Accounting Standards Issued Not Yet Adopted (continued)

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.

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

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
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

3. CASH AND CASH EQUIVALENTS (continued)

At March 31, 2019, cash totaled \$296,947, of which \$151,513 was unrestricted and \$145,434 was restricted. At March 31, 2018, cash totaled \$199,495, of which \$67,997 was unrestricted and \$131,498 was restricted. Below is a breakdown of the unrestricted and restricted cash at March 31, 2019 and 2018:

<u>Description</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Unrestricted cash	\$ 151,513	\$ 67,997
Restricted:		
Tenant security deposits	53,207	47,197
FSS - escrow	-	6,779
Restricted for current liabilities	2,349	-
Other restricted cash	89,878	77,522
Total restricted cash	<u>145,434</u>	<u>131,498</u>
 Total cash	 <u>\$ 296,947</u>	 <u>\$ 199,495</u>

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

4. ACCOUNTS RECEIVABLE

As of March 31, 2019 and 2018, accounts receivable totaled \$349,039 and \$351,501, respectively, and consisted of the following:

<u>Description</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Accounts receivable - tenants	\$ 60,411	\$ 77,800
Allowance for doubtful accounts - tenants	(48,485)	(40,386)
Accounts receivable - HUD	201,853	224,866
Accounts receivable - other	224,152	178,113
Allowance for doubtful accounts - other	<u>(88,892)</u>	<u>(88,892)</u>
	 <u>\$ 349,039</u>	 <u>\$ 351,501</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

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 2019 and 2018 totaled \$147,093 and \$199,524, respectively.

5. PREPAID EXPENSES

Prepaid expenses totaled \$26,078 and \$22,893, respectively, at March 31, 2019 and 2018, which consisted of prepaid insurance and other expenses.

6. MATERIALS INVENTORY

Materials inventory totaled \$14,859 and \$14,578 at March 31, 2019 and 2018. Materials inventory are stated at the lower of cost or market.

7. LAND, STRUCTURES AND EQUIPMENT

The changes in land, structures and equipment during 2019 and 2018 were as follows:

	Balance April 1, 2018	Additions	Transfers/ Disposals	Balance March 31, 2019
Land	\$ 1,530,793	\$ -	\$ -	\$ 1,530,793
Total Assets not being depreciated	<u>1,530,793</u>	<u>-</u>	<u>-</u>	<u>1,530,793</u>
Buildings	29,564,480	357,994	1,592,110	31,514,584
Furniture & Equipment	1,837,060	96,755	(30,804)	1,903,011
Construction in progress	<u>1,615,475</u>	<u>-</u>	<u>(1,615,475)</u>	<u>-</u>
Total Capital Assets being depreciated	33,017,015	454,749	(54,169)	33,417,595
Less Accumulated Depreciation:	<u>(21,068,182)</u>	<u>(1,139,334)</u>	<u>46,063</u>	<u>(22,161,453)</u>
Net Book Value	<u>\$ 13,479,626</u>	<u>\$ (684,585)</u>	<u>\$ (8,106)</u>	<u>\$ 12,786,935</u>
	Balance April 1, 2017	Additions	Transfers/ Disposals	Balance March 31, 2018
Land	\$ 1,530,793	\$ -	\$ -	\$ 1,530,793
Total Assets not being depreciated	<u>1,530,793</u>	<u>-</u>	<u>-</u>	<u>1,530,793</u>
Buildings	29,511,953	52,527	-	29,564,480
Furniture & Equipment	1,837,060	-	-	1,837,060
Construction in progress	<u>1,189,899</u>	<u>425,576</u>	<u>-</u>	<u>1,615,475</u>
Total Capital Assets being depreciated	32,538,912	478,103	-	33,017,015
Less Accumulated Depreciation:	<u>(19,930,953)</u>	<u>(1,137,229)</u>	<u>-</u>	<u>(21,068,182)</u>
Net Book Value	<u>\$ 14,138,752</u>	<u>\$ (659,126)</u>	<u>\$ -</u>	<u>\$ 13,479,626</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

7. LAND, STRUCTURES AND EQUIPMENT (continued)

Changes in capital assets consist of purchases, depreciation and capital improvements made during the audit period. Disposals totaled \$54,169 in 2019. There were no disposals in 2018.

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 2019 and 2018 totaled \$1,139,334 and \$1,137,229, 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, 2019 and 2018 was \$4,862,442. An allowance was created for the entire accrued interest receivable which on March 31, 2019 and 2018 totaled \$4,842,758 and \$4,205,475, 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, 2019 and 2018 totaled \$1,677,426 and \$1,362,014, 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, 2019 and 2018 totaled \$1,352,823 and \$1,215,679, respectively, with the total balance fully allowed for.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

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, 2019 and 2018 totaled \$823,532 and \$743,042, 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, 2019 and 2018 totaled \$988,977 and \$884,740, respectively, with the total balance fully allowed for.

At March 31, 2019, an allowance was created for the entire deferred interest income amount.

As of 3/31/2019	Notes Receivable	Accrued Interest	Allowance for Doubtful Accts	Net Receivable
Millennium Place I, L.P.	\$ 1,100,000	\$ 1,677,426	\$ (1,677,426)	1,100,000
Millennium Place II, L.P.	1,070,061	1,352,823	(1,352,823)	1,070,061
Millennium Place III, L.P.	1,492,381	823,532	(823,532)	1,492,381
Millennium Place IV, L.P.	<u>1,200,000</u>	<u>988,977</u>	<u>(988,977)</u>	<u>1,200,000</u>
Total	<u>\$ 4,862,442</u>	<u>\$ 4,842,758</u>	<u>\$ (4,842,758)</u>	<u>\$ 4,862,442</u>
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>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

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 \$578,178 at March 31, 2019 and is included in accounts payable and other noncurrent liabilities in the financial statements.

	April 1, 2018	Increase	Decrease	March 31, 2019
HUD Repayment agreement	\$ 598,323	\$ -	\$ 20,145	\$ 578,178
Total	<u>\$ 598,323</u>	<u>\$ -</u>	<u>\$ 20,145</u>	<u>\$ 578,178</u>

10. COMPENSATED ABSENCES

Compensated absences consist of the following at March 31, 2019 and 2018, respectively:

	Balance 4/1/2018	Additions	Reductions	Balance 3/31/2019	Due Within One Year
Compensated Absences	\$ 61,988	\$ 7,628	\$ (7,806)	\$ 61,810	\$ 41,578

	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

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

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, 2018 was 9.82 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 \$61,788 for the year ended June 30, 2018.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

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, 2019, the Authority reported a liability of \$418,857 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Authority's proportion was 0.01233 percent, which was an increase of 0.00147 percent from its proportion measured as of June 30, 2017.

For the year ended March 31, 2019, the Authority recognized pension expense of \$61,788. At March 31, 2019, 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	\$ 5,478	\$ 29
Changes in assumptions	998	67,253
Net difference between projected and actual earnings on pension plan investments	12,405	-
Changes in proportions and difference between Authority contributions and proportionate share of contributions	56,937	41,033
Authority contributions subsequent to the measurement date	46,992	-
	<u>\$ 122,810</u>	<u>\$ 108,315</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

11. DEFINED BENEFIT PENSION PLAN (continued)

\$46,992 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:

Fiscal Year	Amount
2020	\$ 16,285
2021	(13,271)
2022	(28,092)
2023	(7,419)
	\$ (32,497)

Actuarial Assumptions

The total pension liability in the June 30, 2018 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, 2019, is 6.75 percent and is equal to the long-term expected return on plan investments, net of administrative expenses. There was no change in the discount rate from the prior measurement date.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

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>\$ 659,346</u>	<u>\$ 418,857</u>	<u>\$ 218,313</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, 2019 and 2018 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, 2019.

HOUSING AUTHORITY OF THE CITY OF MUNCIE, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019 and 2018

12. COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS (continued)

Concentration of Risk – For both the years ended March 31, 2019 and 2018, the Authority received approximately 90 percent of its funding from HUD.

13. INTER-PROGRAM ELIMINATIONS

The following amounts have been eliminated in the preparation of the financial statements:

Interfund Due to/from	\$ 1,870,614
Statement of Net Position Total	<u>\$ 1,870,614</u>
Management fees	\$ 486,635
Bookkeeping fees	25,575
Asset Management fees	<u>23,880</u>
Statement of Revenue, Expenses and Changes in Net Position Totals	<u>\$ 536,090</u>

14. SUBSEQUENT EVENTS

Management has performed an analysis of activities and transactions subsequent to March 31, 2019 and 2018, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the years ended March 31, 2019 and 2018. Management has performed their analysis through December 5, 2019, the date the financial statements were issued. The Authority has not evaluated events occurring after December 5, 2019 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, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Authority's proportion of the net pension liability (asset)	0.01233%	0.01086%	0.01132%	0.01296%
Authority's proportionate share of the net pension liability (asset)	\$ 418,856	\$ 484,523	\$ 513,752	\$ 527,848
Authority's covered-employee payroll	\$ 629,297	\$ 538,982	\$ 542,599	\$ 620,630
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	66.56%	89.90%	94.68%	85.05%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	76.6%	75.3%	77.3%

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, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Contractually required contribution	\$ 61,788	\$ 60,366	\$ 60,549	\$ 69,544
Contributions in relation to the contractually required contribution	<u>61,788</u>	<u>60,366</u>	<u>60,549</u>	<u>69,544</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 629,297	\$ 538,982	\$ 542,599	\$ 620,630
Contributions as a percentage of covered-employee payroll	9.82%	11.20%	11.16%	11.21%

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, INDIANA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
March 31, 2019

1. Changes in benefit terms

There have been no actuarially material changes to the assumptions.

2. Changes of assumptions

There have been no actuarially material changes to the assumptions.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019**

Annual Contributions Contract C-348

PHASE IN36P005501-11

1 The actual modernization cost of phase 501-11 were:

Funds Approved	\$	494,429
Funds Expended		494,429
Excess of Funds Approved	\$	-
Funds Advanced	\$	494,429
Funds Expended		494,429
Excess of Funds Approved	\$	-

- 2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated August 27, 2015 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.
- 4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-12

1 The actual modernization cost of phase 501-12 were:

Funds Approved	\$	493,619
Funds Expended		493,619
Excess of Funds Approved	\$	-
Funds Advanced	\$	493,619
Funds Expended		493,619
Excess of Funds Approved	\$	-

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated August 27, 2015 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019**

Annual Contributions Contract C-348

PHASE IN36P005501-13

1 The actual modernization cost of phase 501-13 were:

Funds Approved	\$	385,968
Funds Expended		385,968
Excess of Funds Approved	\$	-
Funds Advanced	\$	385,968
Funds Expended		385,968
Excess of Funds Approved	\$	-

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated April 27, 2017 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019**

Annual Contributions Contract C-348

PHASE IN36P005501-14

1 The actual modernization cost of phase 501-14 were:

Funds Approved	\$	439,448
Funds Expended		439,448
Excess of Funds Approved	\$	-
Funds Advanced	\$	439,448
Funds Expended		439,448
Excess of Funds Approved	\$	-

- 2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated April 3, 2019 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.
- 4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-15

1 The actual modernization cost of phase 501-15 were:

Funds Approved	\$	484,513
Funds Expended		484,513
Excess of Funds Approved	\$	-
Funds Advanced	\$	484,513
Funds Expended		484,513
Excess of Funds Approved	\$	-

- 2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated July 25, 2018 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.
- 4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-08

1 The actual modernization cost of phase 501-08R were:

Funds Approved	\$	115,505
Funds Expended		115,505
Excess of Funds Approved	\$	-
Funds Advanced	\$	115,505
Funds Expended		115,505
Excess of Funds Approved	\$	-

- 2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.
- 3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated July 25, 2018 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.
- 4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-08

1 The actual modernization cost of phase 501-08R were:

Funds Approved	\$	374,842
Funds Expended		374,842
Excess of Funds Approved	\$	-
Funds Advanced	\$	374,842
Funds Expended		374,842
Excess of Funds Approved	\$	-

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated July 25, 2018 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-09

1 The actual modernization cost of phase 501-09R were:

Funds Approved	\$	200,664
Funds Expended		200,664
Excess of Funds Approved	\$	-
Funds Advanced	\$	200,664
Funds Expended		200,664
Excess of Funds Approved	\$	-

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated July 25, 2018 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-10

1 The actual modernization cost of phase 501-10R were:

Funds Approved	\$	200,306
Funds Expended		200,306
Excess of Funds Approved	\$	-
Funds Advanced	\$	200,306
Funds Expended		200,306
Excess of Funds Approved	\$	-

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated July 25, 2018 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019**

Annual Contributions Contract C-348

PHASE IN36P005501-11

1 The actual modernization cost of phase 501-11R were:

Funds Approved	\$	170,836
Funds Expended		170,836
Excess of Funds Approved	\$	<u><u>-</u></u>
Funds Advanced	\$	170,836
Funds Expended		170,836
Excess of Funds Approved	\$	<u><u>-</u></u>

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated June 3, 2019 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
Muncie, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
MARCH 31, 2019

Annual Contributions Contract C-348

PHASE IN36P005501-13

1 The actual modernization cost of phase 501-13R were:

Funds Approved	\$	77,082
Funds Expended		<u>77,082</u>
Excess of Funds Approved	\$	<u> -</u>
Funds Advanced	\$	77,082
Funds Expended		<u>77,082</u>
Excess of Funds Approved	\$	<u> -</u>

2 Audit period additions were audited in a prior period and this certification is included to facilitate grant closeout.

3 The distribution of costs by major cost accounts as shown on the Final Statement of Modernization Cost dated June 3, 2019 accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's.

4 All modernization costs have been paid and all related liabilities have been discharged through

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
March 31, 2019

	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	\$ 27,838	\$ 111,690	\$ 11,985	\$ -	\$ -	\$ 151,513	\$ -	\$ 151,513
112 Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-
113 Cash - Other Restricted	89,878	-	-	-	-	89,878	-	89,878
114 Cash - Tenant Security Deposits	53,207	-	-	-	-	53,207	-	53,207
115 Cash - Restricted for Payment of Current Liabilities	2,349	-	-	-	-	2,349	-	2,349
100 Total Cash	173,272	111,690	11,985	-	-	296,947	-	296,947
121 Accounts Receivable - PHA Projects	-	52,097	-	-	-	52,097	-	52,097
122 Accounts Receivable - HUD Other Projects	30	201,823	-	-	-	201,853	-	201,853
124 Accounts Receivable - Other Government	-	-	-	-	18,222	18,222	-	18,222
125 Accounts Receivable - Miscellaneous	-	-	26,251	-	111,465	137,716	-	137,716
126 Accounts Receivable - Tenants	60,411	-	-	-	-	60,411	-	60,411
126.1 Allowance for Doubtful Accounts - Tenants	(48,485)	-	-	-	-	(48,485)	-	(48,485)
126.2 Allowance for Doubtful Accounts - Other	-	-	(26,251)	-	(62,641)	(88,892)	-	(88,892)
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-
128 Fraud Recovery	-	16,117	-	-	-	16,117	-	16,117
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	11,956	270,037	-	-	67,046	349,039	-	349,039
131 Investments - Unrestricted	-	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	15,121	1,004	-	-	9,953	26,078	-	26,078
143 Inventories	14,859	-	-	-	-	14,859	-	14,859
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-	-
144 Inter Program Due From	1,870,614	-	-	-	-	1,870,614	(1,870,614)	-
145 Assets Held for Sale	-	-	-	-	-	-	-	-
150 Total Current Assets	2,085,822	382,731	11,985	-	76,999	2,557,537	(1,870,614)	686,923
161 Land	1,297,327	-	90,947	-	142,519	1,530,793	-	1,530,793
162 Buildings	22,936,520	-	1,173,944	6,572,617	831,503	31,514,584	-	31,514,584
163 Furniture, Equipment & Machinery - Dwellings	328,543	-	-	-	-	328,543	-	328,543
164 Furniture, Equipment & Machinery - Administration	226,442	35,653	-	180,196	1,128,987	1,571,278	-	1,571,278
165 Leasehold Improvements	-	-	-	-	-	-	-	-
166 Accumulated Depreciation	(16,811,493)	(33,203)	(163,862)	(3,375,856)	(1,773,849)	(22,158,263)	-	(22,158,263)
167 Construction in Progress	-	-	-	-	-	-	-	-
168 Infrastructure	-	-	-	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	7,977,339	2,450	1,101,029	3,376,957	329,160	12,786,935	-	12,786,935
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	7,977,339	2,450	1,101,029	7,139,399	1,429,160	17,649,377	-	17,649,377
200 Deferred Outflow of Resources	48,410	32,136	-	-	42,264	122,810	-	122,810
290 Total Assets and Deferred Outflow of Resources	\$ 10,111,571	\$ 417,317	\$ 1,113,014	\$ 7,139,399	\$ 1,548,423	\$ 20,329,724	\$ (1,870,614)	\$ 18,459,110

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
BALANCE SHEET SUMMARY
March 31, 2019

	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	7,096	2,134	-	-	9,761	18,991	-	18,991
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	2,731	2,731	-	2,731
322 Accrued Compensated Absences - Current Portion	17,462	7,671	-	-	16,445	41,578	-	41,578
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	53,207	-	-	-	-	53,207	-	53,207
342 Unearned Revenue	92,227	-	-	-	-	92,227	-	92,227
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-
345 Other Current Liabilities	18,964	-	-	-	20,145	39,109	-	39,109
346 Accrued Liabilities - Other	-	-	-	-	7,379	7,379	-	7,379
347 Inter Program - Due To	-	277,206	337,033	11,673	1,244,702	1,870,614	(1,870,614)	-
348 Loan Liability - Current	-	-	-	-	-	-	-	-
310 Total Current Liabilities	188,956	287,011	337,033	11,673	1,301,163	2,125,836	(1,870,614)	255,222
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	-	-	-	-	608,487	608,487	-	608,487
354 Accrued Compensated Absences - Non Current	7,813	6,708	-	-	5,711	20,232	-	20,232
355 Loan Liability - Non Current	-	-	-	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	164,019	112,882	-	-	141,956	418,857	-	418,857
350 Total Non-Current Liabilities	171,832	119,590	-	-	756,154	1,047,576	-	1,047,576
300 Total Liabilities	360,788	406,601	337,033	11,673	2,057,317	3,173,412	(1,870,614)	1,302,798
400 Deferred Inflow of Resources	42,414	29,191	-	-	36,710	108,315	-	108,315
508.4 Net Investment in Capital Assets	7,977,339	2,450	1,101,029	3,376,957	329,160	12,786,935	-	12,786,935
509.3 Restricted Fund Balance	-	-	-	-	-	-	-	-
510.3 Committed Fund Balance	-	-	-	-	-	-	-	-
511.3 Assigned Fund Balance	-	-	-	-	-	-	-	-
511.4 Restricted Net Position	-	-	-	-	-	-	-	-
512.3 Unassigned Fund Balance	-	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	1,731,030	(20,925)	(325,048)	3,750,769	(874,764)	4,261,062	-	4,261,062
513 Total Equity - Net Assets / Position	9,708,369	(18,475)	775,981	7,127,726	(545,604)	17,047,997	-	17,047,997
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 10,111,571	\$ 417,317	\$ 1,113,014	\$ 7,139,399	\$ 1,548,423	\$ 20,329,724	\$ (1,870,614)	\$ 18,459,110

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
March 31, 2019

	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	\$ 532,602	\$ -	\$ -	\$ -	\$ -	\$ 532,602	\$ -	\$ 532,602
70400 Tenant Revenue - Other	72,951	-	-	-	-	72,951	-	72,951
70500 Total Tenant Revenue	<u>605,553</u>	-	-	-	-	<u>605,553</u>	-	<u>605,553</u>
70600 HUD PHA Operating Grants	1,741,440	4,841,614	-	-	-	6,583,054	-	6,583,054
70610 Capital Grants	374,026	-	-	-	-	374,026	-	374,026
70710 Management Fee	-	-	-	-	486,635	486,635	(486,635)	-
70720 Asset Management Fee	-	-	-	-	23,880	23,880	(23,880)	-
70730 Book Keeping Fee	-	-	-	-	25,575	25,575	(25,575)	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	17,130	17,130	-	17,130
70700 Total Fee Revenue	-	-	-	-	<u>553,220</u>	<u>553,220</u>	<u>(536,090)</u>	<u>17,130</u>
70800 Other Government Grants	-	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	-	3	-	-	147	150	-	150
71200 Mortgage Interest Income	-	-	-	-	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-	-	-	-
71400 Fraud Recovery	-	11,794	-	-	-	11,794	-	11,794
71500 Other Revenue	82,646	23,191	-	-	35,066	140,903	-	140,903
71600 Gain or Loss on Sale of Capital Assets	(4,919)	-	-	-	15,000	10,081	-	10,081
72000 Investment Income - Restricted	-	-	-	-	-	-	-	-
70000 Total Revenue	<u>2,798,746</u>	<u>4,876,602</u>	<u>-</u>	<u>-</u>	<u>603,433</u>	<u>8,278,781</u>	<u>(536,090)</u>	<u>7,742,691</u>
91100 Administrative Salaries	125,981	163,010	-	-	205,969	494,960	-	494,960
91200 Auditing Fees	12,338	16,450	-	-	4,263	33,051	-	33,051
91300 Management Fee	370,823	115,812	-	-	-	486,635	(486,635)	-
91310 Book-keeping Fee	25,575	-	-	-	-	25,575	(25,575)	-
91400 Advertising and Marketing	-	-	-	-	-	-	-	-
91500 Employee Benefit contributions - Administrative	40,185	79,051	-	-	102,561	221,797	-	221,797
91600 Office Expenses	49,572	31,658	-	-	54,038	135,268	-	135,268
91700 Legal Expense	-	-	647	-	25,726	26,373	-	26,373
91800 Travel	1,909	1,265	-	-	36,747	39,921	-	39,921
91810 Allocated Overhead	-	-	-	-	-	-	-	-
91900 Other	8,211	5,159	219	-	48,059	61,648	-	61,648
91000 Total Operating - Administrative	<u>634,594</u>	<u>412,405</u>	<u>866</u>	<u>-</u>	<u>477,363</u>	<u>1,525,228</u>	<u>(512,210)</u>	<u>1,013,018</u>
92000 Asset Management Fee	23,880	-	-	-	-	23,880	(23,880)	-
92100 Tenant Services - Salaries	11,570	-	-	-	-	11,570	-	11,570
92200 Relocation Costs	3,382	-	-	-	-	3,382	-	3,382
92300 Employee Benefit Contributions - Tenant Services	4,564	-	-	-	-	4,564	-	4,564
92400 Tenant Services - Other	-	-	-	-	-	-	-	-
92500 Total Tenant Services	<u>43,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,396</u>	<u>(23,880)</u>	<u>19,516</u>

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
March 31, 2019

	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	42,047	-	-	-	1,238	43,285	-	43,285
93200 Electricity	95,862	-	9,411	-	10,582	115,855	-	115,855
93300 Gas	30,399	-	-	-	2,232	32,631	-	32,631
93400 Fuel	-	-	-	-	-	-	-	-
93500 Labor	-	-	-	-	-	-	-	-
93600 Sewer	238,878	-	-	-	2,413	241,291	-	241,291
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-
93800 Other Utilities Expense	-	-	-	-	-	-	-	-
93000 Total Utilities	407,186	-	9,411	-	16,465	433,062	-	433,062
94100 Ordinary Maintenance and Operations - Labor	125,641	-	-	-	-	125,641	-	125,641
94200 Ordinary Maintenance and Operations - Materials and Other	117,167	-	-	-	1,208	118,375	-	118,375
94300 Ordinary Maintenance and Operations Contracts	338,122	34,534	9,592	-	41,579	423,827	-	423,827
94500 Employee Benefit Contributions - Ordinary Maintenance	52,632	-	-	-	-	52,632	-	52,632
94000 Total Maintenance	633,562	34,534	9,592	-	42,787	720,475	-	720,475
95100 Protective Services - Labor	-	-	-	-	14,400	14,400	-	14,400
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-	-	-
95300 Protective Services - Other	-	-	-	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	1,124	1,124	-	1,124
95000 Total Protective Services	-	-	-	-	15,524	15,524	-	15,524
96110 Property Insurance	39,711	-	-	-	29,954	69,665	-	69,665
96120 Liability Insurance	15,552	-	-	-	12,092	27,644	-	27,644
96130 Workmen's Compensation	11,065	6,854	-	-	9,265	27,184	-	27,184
96140 All Other Insurance	12,428	489	-	-	1,800	14,717	-	14,717
96100 Total insurance Premiums	78,756	7,343	-	-	53,111	139,210	-	139,210
96200 Other General Expenses	148,966	609	3,535	-	-	153,110	-	153,110
96210 Compensated Absences	(7,806)	4,341	-	-	3,287	(178)	-	(178)
96300 Payments in Lieu of Taxes	-	-	-	-	30,079	30,079	-	30,079
96400 Bad debt - Tenant Rents	147,193	-	-	-	-	147,193	-	147,193
96500 Bad debt - Mortgages	-	-	-	-	-	-	-	-
96600 Bad debt - Other	-	-	-	-	(100)	(100)	-	(100)
96800 Severance Expense	-	-	-	-	-	-	-	-
96000 Total Other General Expenses	288,353	4,950	3,535	-	33,266	330,104	-	330,104
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	2,085,847	459,232	23,404	-	638,516	3,230,879	(536,090)	2,670,909
97000 Excess of Operating Revenue over Operating Expenses	712,899	4,417,370	(23,404)	-	(35,083)	5,047,902	-	5,071,782

HOUSING AUTHORITY OF THE CITY OF MUNCIE
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
March 31, 2019

	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	-	-	-	-	-	-	-	-
97300 Housing Assistance Payments	-	4,449,378	-	-	-	4,449,378	-	4,449,378
97350 HAP Portability-In	-	19,023	-	-	-	19,023	-	19,023
97400 Depreciation Expense	733,169	817	29,349	337,641	38,358	1,139,334	-	1,139,334
97500 Fraud Losses	-	-	-	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-	-	-	-	-
90000 Total Expenses	2,819,016	4,928,450	52,753	337,641	676,874	8,838,614	(536,090)	8,278,644
10000 Excess of Total Revenue Over Total Expenses	(20,270)	(51,848)	(52,753)	(337,641)	(73,441)	(559,833)	-	(535,953)
10010 Operating Transfer In	237,732	-	-	-	-	237,732	-	237,732
10020 Operating transfer Out	(237,732)	-	-	-	-	(237,732)	-	(237,732)
Beginning Net Position	9,735,595	26,417	828,734	7,465,367	(472,163)	17,583,950	-	17,583,950
11040 Equity Transfers	(6,956)	6,956	-	-	-	-	-	-
Ending Net Position	\$ 9,708,369	\$ (18,475)	\$ 775,981	\$ 7,127,726	\$ (545,604)	\$ 17,024,117	-	\$ 17,047,997

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
CONDENSED STATEMENTS OF NET POSITION
ASSISTED HOUSING DEVELOPMENT CORPORATION
March 31, 2019 and 2018**

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,985	\$ 15,739
Accounts receivable, net	-	-
Total current assets	11,985	15,739
NONCURRENT ASSETS		
Capital assets, net	1,101,029	1,130,378
Total noncurrent assets	1,101,029	1,130,378
Total assets	1,113,014	1,146,117
TOTAL ASSETS	\$ 1,113,014	\$ 1,146,117

LIABILITIES AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 729
Interfund payable	337,033	316,654
Total liabilities	337,033	317,383
NET POSITION		
Net investment in capital assets	1,101,029	1,130,378
Unrestricted	(325,048)	(301,644)
Total net position	775,981	828,734
TOTAL LIABILITIES AND NET POSITION	\$ 1,113,014	\$ 1,146,117

HOUSING AUTHORITY OF THE CITY OF MUNCIE
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ASSISTED HOUSING DEVELOPMENT CORPORATION
Years ended March 31, 2019 and 2018

	2019	2018
OPERATING EXPENSES		
Administration	\$ 866	\$ 3,156
Utilities	9,411	27,482
Ordinary maintenance	9,592	9,108
General expenses	3,535	27,851
Depreciation expense	29,349	29,349
 Total operating expenses	 52,753	 96,946
 Net operating income (loss)	 (52,753)	 (96,946)
 Change in net position	 (52,753)	 (96,946)
 Net position, beginning of year	 828,734	 925,680
 Net position, end of year	 \$ 775,981	 \$ 828,734

HOUSING AUTHORITY OF THE CITY OF MUNCIE
CONDENSED STATEMENTS OF CASH FLOWS
ASSISTED HOUSING DEVELOPMENT CORPORATION
Years ended March 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to vendors and suppliers	\$ (3,754)	\$ 15,739
Net cash flows (used) provided by operating activities	(3,754)	15,739
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,754)	15,739
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,739	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,985	\$ 15,739
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (52,753)	\$ (96,946)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:		
Depreciation	29,349	29,349
Decrease (increase) in accounts receivable	-	26,251
Increase (decrease) in accounts payable	(729)	(259,569)
Increase (decrease) in interfund payable	20,379	316,654
Net cash (used) provided in operating activities	\$ (3,754)	\$ 15,739



**INDEPENDENT AUDITORS' 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, 2019, 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 5, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Bethesda, Maryland
December 5, 2019

INDEPENDENT AUDITORS' 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, 2019. 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 Capital Fund Program

As described in the accompanying schedule of finding and questioned costs, the Authority did not comply with requirements related to cash management in the Capital Fund Program, as described in finding numbers 2019-001. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to those programs.

Unmodified Opinion on Public and Indian Housing and Housing Choice Voucher Program

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 Housing Choice Voucher Programs for the year ended March 31, 2019.

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 item 2019-001 that we consider to be material weaknesses.

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.

Rubins & Company

Bethesda, Maryland
December 5, 2019

HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

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	\$ 1,358,088
Capital Fund Program	14.872	757,378
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	<u>4,841,614</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 6,957,080</u></u>

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, 2019

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, 2019. 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, 2019**

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? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Noncompliance material to financial statements noted? | No |

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	\$ 4,841,614
Public Housing Capital Fund	14.872	\$ 757,378
Low Rent Public Housing	14.850	\$ 1,358,088

- | | |
|---|------------|
| 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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2019**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2019-001

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 and have \$89,878 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 \$757,348 in CFP funds during the year and could have reduced subsequent draws accordingly.

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 previously reported as 2018-002.

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
CORRECTIVE ACTION PLAN
Year Ended March 31, 2019**

SECTION I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding 2018-001

Improper use of Federal Funds (Material Weakness, Noncompliance)

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.

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 2018-002

Cash Management – Material Weakness, Noncompliance

Federal Program: CFDA 14.872, Capital Fund Program

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.

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 2019-001.**

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

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.

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

**HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2019**

SECTION II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-004

Special Tests and Provisions – Other Matters

Federal Program: CFDA 14.872, Capital Fund Program

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

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

Finding 2018-005

Reporting – Other Matters

Federal Program: CFDA 14.872, Capital Fund Program

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.

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

Finding 2018-006

Special Tests and Provision – Other Matters

Federal Program: CFDA 14.871, Housing Choice Vouchers

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

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

HOUSING AUTHORITY OF THE CITY OF MUNCIE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2019

SECTION II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2019-001 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 2020



Corrective Action Plan:

Finding 2019-001

Cash Management – Material Weakness, Noncompliance

Summary:

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. The Authority requested CFP funding through eLOCCS and have \$89,878 in advance funding. These funds have not yet been spent because the project is still in progress as of the report date. The Authority drew down over \$757,348 in CFP funds during the year and could have reduced subsequent draws accordingly. 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. 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.

Corrective Action:

We agree with this finding and the auditor's recommendation and have developed a checklist based on HUD's recommendation which includes documentation that costs have been incurred and paid prior to requesting reimbursement under the program. Anticipated completion of March 2020.

