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June 19, 2015

Board of Commissioners
Housing Authority of the City of Hammond
1402 173rd Street
Hammond, IN 46324

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

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

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

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

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2013,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITOR'S RESULTS**

THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Hammond, Indiana
Hammond, Indiana

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, which include the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Hammond, Indiana (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Hammond, Indiana, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information such as financial data schedules and schedule of expenditures of federal awards is the responsibility of management and was derived from the

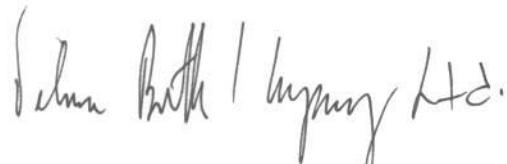
relation directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014 on our consideration of the Housing Authority of the City of Hammond, Indiana (the Authority)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Summarized Comparative Information

We have previously audited the Authority's 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements dated September 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Velma Butler & Company Ltd." The signature is fluid and cursive, with "Velma" and "Butler" being more distinct and "Company Ltd." being more stylized.

Velma Butler & Company, Ltd.
Chicago, Illinois

August 8, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY of the CITY
of HAMMOND, INDIANA**

1402 173rd STREET

HAMMOND, IN 46324

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To the Board of Commissioners of the
The Housing Authority of the City of Hammond, Indiana
Hammond, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of the Hammond, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2013.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2013. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information, which complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- Net assets at December 31, 2013, totaled \$28.1 million and represent a decrease of \$1.9 million from December 31, 2012.
- Revenue decreased by \$2 million for fiscal year 2013. The decrease is primarily due to a decrease in HUD Capital Grants.
- Operating expenses, excluding depreciation, increased by \$573 thousand to \$8.5 million or by 7.2% from \$8 million at December 31, 2012.
- Net fixed assets were \$8 million at December 31, 2013, representing a decrease of \$500 thousand from the December 31, 2012, balance of \$8.5 million. The decrease was mainly due to depreciation.
- Total liabilities increased by \$889 thousand to \$2.1 million at December 31, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as a single enterprise fund whose operations include two separate and distinct housing programs, the low rent and housing choice voucher programs and various client service activities. The Low Rent Housing program is funded by income-based rents received from residents and operating subsidies and capital grants received from HUD.

Under the housing choice voucher program, the Authority enters into housing assistance payment contracts with eligible landlords. HUD pays housing assistance payments, which includes tenant rents and management fees for operating the program.

The financial statements are presented in three sections: management's discussion and analysis (this section), the basic financial statements, and supplementary information.

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 financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

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 funds only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of a single enterprise fund 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 a single enterprise fund, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

The bottom of the Statement of Revenue, Expenses and Changes in Net Assets reports on the Authority's net assets and how they have changed from the previous year. Net assets are the difference between the Authority's assets and liabilities, which is one way to measure the Authority's financial health or position.

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

including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be issued with this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1, the Authority's total net assets at December 31, 2013 decreased by \$1.1 million or -3.4% to approximately \$28.1 million. Total liabilities increased by \$889 thousand or 73.8% to \$2.1 million.

Table 1
Hammond Housing Authority's Net Assets
(in thousands dollars)

| | 2013 | 2012 | Change | Total Percentage Change |
|-----------------------------------|------------------|------------------|-------------------|--------------------------------|
| Current Assets | \$ 7,975 | \$ 7,115 | \$ 860 | 12.1 % |
| Non-current Assets | 22,198 | 24,123 | (1,925) | -8.0 % |
| Total Assets | \$ 30,173 | \$ 31,238 | \$ (1,065) | -3.4 % |
| Current Liabilities | \$ 467 | \$ 119 | \$ 348 | 292.4 % |
| Non Current Liabilities | 1,626 | 1,085 | 541 | 49.9 % |
| Total Liabilities | 2,093 | 1,204 | 889 | 73.8 % |
| Invested in Capital Assets, Net | 8,041 | 8,543 | (502) | -5.9 % |
| Unrestricted | 19,782 | 20,737 | (955) | -4.6 % |
| Restricted Net Assets | 257 | 754 | (497) | -65.9 % |
| Total Net Assets | 28,080 | 30,034 | \$ (1,954) | -6.5 % |
| Total Liab. and Net Assets | \$ 30,173 | \$ 31,238 | \$ (1,065) | -3.4 % |

Current assets increased by 12.1%, or approximately \$860 thousand, primarily due to increases in cash. Non-current assets decreased by \$1.9 million or -8% from \$24.1 million to \$22.2 million primarily because of a decrease in notes receivable.

Change In Net Assets

The change in net assets is the difference between the total assets and the total liabilities. It is a measure of the health of the organization. The change in net assets at December 31, 2013, was a decrease of approximately \$1.1 million. Net assets consist of amounts investments in capital assets, amounts restricted for a specific used and amounts unrestricted.

Net assets invested in capital assets; consist of investments in fixed assets and capital improvements net of accumulated depreciation.

Capital Assets

As indicated below, capital assets decreased by \$502 thousand from \$8.5 million to \$8 million.

| | December 31, 2012 | Additions and Deletions | December 31, 2013 |
|---------------------------|---------------------|-------------------------|---------------------|
| Land and Structures | \$ 15,919,786 | \$ (14,670) | \$ 15,905,116 |
| Equipment and Furniture | 1,142,274 | 27,098 | 1,169,372 |
| Construction in Progress | 2,602,254 | 91,377 | 2,693,631 |
| Less Accum. Depreciation | (11,121,567) | (605,712) | (11,727,279) |
| Total Fixed Assets | \$ 8,542,747 | \$ (501,907) | \$ 8,040,840 |

Construction costs during the year totaled \$91,377, and construction in progress (CIP) at year-end was \$2,693,631.

Revenues

As shown in Table 2, the Authority's total revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income decreased by \$2.1 million or -20.3%.

Table 2
Change in Hammond Housing Authority's Net Assets
(in thousand dollars)

| | 2013 | 2012 | Change | Total Percent Change |
|---------------------------------|------------------|------------------|-------------------|----------------------------|
| Revenues | \$ 8,161 | \$ 10,192 | \$ (2,031) | -19.9% |
| Operating Expenses | 8,524 | 7,951 | 573 | 7.2% |
| Depreciation | 606 | 707 | (101) | -14.3% |
| Total Operating Expenses | 9,130 | 8,658 | 472 | 5.5% |
| Change in Net Assets | (969) | 1,534 | (2,503) | -163.2% |
| Total Net Assets, Beginning | 30,034 | 29,120 | 914 | 3.1% |
| Prior Period Adjustments | (984) | (620) | (364) | |
| Total Net Assets, Ending | \$ 28,081 | \$ 30,034 | \$ (1,953) | -6.5% |

Expenses

As shown in Table 3, the Authority's total expenses increased by \$472 thousand or 5.5% to approximately \$9.1 million in 2013.

| | 2013 | 2012 | Change | Total Percent Change |
|---------------------------------|-----------------|-----------------|---------------|----------------------|
| Administrative Expenses | \$ 1,724 | \$ 1,124 | \$ 600 | 53.4% |
| Tenant Services | 48 | 49 | (1) | -2.0% |
| Utilities Expenses | 209 | 230 | (21) | -9.1% |
| Ordinary Maintenance | 605 | 625 | (20) | -3.2% |
| Protective Services | 133 | 128 | 5 | 3.9% |
| General Expenses | 513 | 276 | 237 | 85.9% |
| Extra Ordinary Maint | 21 | 7 | 14 | 200.0% |
| Housing Assistance Payments | 5,271 | 5,512 | (241) | -4.4% |
| Depreciation Expense | 606 | 707 | (101) | -14.3% |
| Total Operating Expenses | \$ 9,130 | \$ 8,658 | \$ 472 | 5.5% |

BUDGETARY CONTROL

Budgetary control is exercised over programs through internal control methods that ensure compliance with legal provisions incorporated in annual program budgets approved by HUD and the Board of Commissioners. The activities of the Authority's enterprise fund are included in the annual budgeting process. Capital project budgets contained in the Authority's low rent housing program are adopted for the length of the capital projects then annualized to strengthen monitoring and completion benchmarks.

MAJOR INITIATIVES

Current Year: The Hammond Housing Authority continues to provide comprehensive service in the City of Hammond to assure the existence of affordable housing for low to moderate income individuals, and families, senior citizens, and handicapped and disabled individuals. Under the leadership of a dedicated Board of Commissioners, and the hard work of true professionals in the field of affordable housing, the Authority continues to thrive, considering the various challenges for federally subsidized housing providers. Improvements have included working hard to enhance our operations internally and seeking external funds to support our residents whenever possible. Below are some of our accomplishments.

The year moved onto the historical pages of the Hammond Housing Authority, with the ongoing Revitalization Master Plan for Columbia Center and ongoing capital improvements for Turner Park. Words like Plans, Projections, Progress, Persistence, Prevailing, Productivity, Performance and Pride can define all of the activities that encompassed 2012.

Homestead Enterprise Housing, Inc. formally the Hammond Elderly Housing, Inc., (HEH), an instrumentality of the Housing Authority was awarded low Income Tax Credits. With this award we planned the next Phase of Revitalization. This phase was named "Flagstone Village." This development would mark the third Mixed Income Development for the Hammond Housing Authority. The development merged Federal Capital Funds and the State Tax credits. The development has low income tax credit units, Section 9 (federally subsidized units) and P.B.V. (project based vouchers).

We were the First Community Garden in Hammond! Yes, the first Hammond Community Garden was an overwhelming complete success for the fourth year. With the idea and collaboration of a couple from a local church, residents had free vegetables growing in their community again.

The Rental Assistance Department (Housing Choice Voucher Program), staff recaptured \$23,639 through fraud recovery efforts, half of which the department was able to keep for operating expenses. The Public Housing Assessment System rating has not been released for the 2013 year.

With the Federal Grant awarded for the Housing Counselor position, the HUD Certified Housing Counselor was able to provide counseling to clients from 1/1/13 to 3/31/13. These services include Homebuyer Counseling, Homebuyer Education Programs, Mortgage Delinquency Prevention or Default, Home Equity Conversion, Rental Counseling, Homeless and Shelter counseling.

Future Years: The Authority will continue to revitalize Columbia Center and routinely ensure capital improvements are ongoing at Turner Park and the Senior Building.

These ongoing efforts will ensure that the agency is in compliance with its Annual Contribution Contract it has with the U.S. Department of Housing & Urban Development. The Authority will provide the residents with safe, secure and decent housing units that are in compliance with HUD rules and regulations for public housing and the rental assistance program.

Sincerely,



Barbara J. Martinez
Executive Director

Executive Director

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012)

EXHIBIT A

| | LOW RENT | SECTION 8 | HOUSING COUNSELING | COMPONENT UNIT | 2013 TOTAL | 2012 TOTAL |
|---|----------------------|-------------------|-----------------------|---------------------|----------------------|----------------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 2,725,598 | \$ 249,454 | \$ 8,870 | \$ 609,828 | \$ 3,593,750 | \$ 1,581,274 |
| Investments | 2,209,568 | 106,563 | | | 2,316,131 | 2,699,832 |
| Accounts Receivable, net | 68,143 | 45,805 | | 5,250 | 119,198 | 132,113 |
| Developer Fee Receivable | | | | 1,775,085 | 1,775,085 | 2,563,482 |
| Prepaid Expenses | 107,271 | 11,770 | | | 119,041 | 91,592 |
| Material Inventories | 51,735 | | | | 51,735 | 47,339 |
| Total Current Assets | 5,162,315 | 413,592 | 8,870 | 2,390,163 | 7,974,940 | 7,115,632 |
| NON CURRENT ASSETS | | | | | | |
| Land, Structures and Equip., net | 8,013,405 | 16,961 | | 10,474 | 8,040,840 | 8,542,747 |
| Notes Receivable - Long Term | 13,272,778 | | | 384,687 | 13,657,465 | 14,997,903 |
| Investments in Partnership | | | | | - | 44,427 |
| Accrued Interest Receivable | 444,274 | | | 55,980 | 500,254 | 537,642 |
| Total Non-Current Assets | 21,730,457 | 16,961 | - | 451,141 | 22,198,559 | 24,122,719 |
| TOTAL ASSETS | \$ 26,892,772 | \$ 430,553 | \$ 8,870 | \$ 2,841,304 | \$ 30,173,499 | \$ 31,238,351 |
| LIABILITIES AND NET ASSETS | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | \$ 112,686 | \$ 1,084 | | \$ 343,790 | \$ 457,560 | \$ 95,329 |
| Accrued Liabilities | 9,410 | | | | 9,410 | 23,221 |
| Developer Fees Payable | | | | 1,018,985 | 1,018,985 | 465,447 |
| Total Current Liabilities | 122,096 | 1,084 | - | 1,362,775 | 1,485,955 | 583,997 |
| NONCURRENT LIABILITIES | | | | | | |
| Trust Deposits - Non Current | | 106,563 | | | 106,563 | 82,411 |
| Deferred Revenue | 444,274 | | 8,870 | 55,980 | 509,124 | 537,642 |
| Total Noncurrent Liabilities | 444,274 | 106,563 | 8,870 | 55,980 | 615,687 | 620,053 |
| Total Liabilities | 566,370 | 107,647 | 8,870 | 1,418,755 | 2,101,642 | 1,204,050 |
| NET ASSETS | | | | | | |
| Unrestricted Net Assets | 18,312,997 | 48,413 | - | 1,412,075 | 19,773,485 | 20,736,911 |
| Restricted Net Assets | | 257,532 | | | 257,532 | 754,643 |
| Investment in Fixed Assets | 8,013,405 | 16,961 | - | 10,474 | 8,040,840 | 8,542,747 |
| Total Net Assets | 26,326,402 | 322,906 | - | 1,422,549 | 28,071,857 | 30,034,301 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 26,892,772 | \$ 430,553 | \$ 8,870 | \$ 2,841,304 | \$ 30,173,499 | \$ 31,238,351 |

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012) EXHIBIT B

| | LOW RENT | SECTION 8 | HOUSING COUNSELING | COMPONENT UNIT | 2013 TOTAL | 2012 TOTAL |
|--|----------------------|-------------------|-----------------------|---------------------|----------------------|----------------------|
| OPERATING REVENUES | | | | | | |
| Tenant Charges | \$ 540,567 | \$ | \$ | \$ | \$ 540,567 | \$ 556,088 |
| HUD Operating Grants | 980,820 | 5,558,114 | 13,031 | | 6,551,965 | 5,312,870 |
| Other Income | 339,030 | 279,491 | | 51,756 | 670,277 | 3,113,616 |
| TOTAL REVENUES | 1,860,417 | 5,837,605 | 13,031 | 51,756 | 7,762,809 | 8,982,574 |
| OPERATING EXPENSES | | | | | | |
| Administrative Expenses | 1,319,527 | 366,927 | 9,773 | 27,928 | 1,724,155 | 1,123,723 |
| Tenant Services | 48,449 | | | | 48,449 | 49,160 |
| Utilities Expenses | 205,133 | 3,880 | | | 209,013 | 229,544 |
| Ordinary Maintenance | 597,684 | 3,271 | | 3,938 | 604,893 | 625,449 |
| Protective Services | 131,200 | 315 | | 1,020 | 132,535 | 127,625 |
| General Expenses | 85,970 | 28,801 | 3,258 | 394,953 | 512,982 | 276,090 |
| Extra Ordinary Maintenance | 21,583 | | | | 21,583 | 7,049 |
| Housing Assistance Payments | | 5,270,825 | | | 5,270,825 | 5,512,318 |
| Depreciation Expense | 594,322 | 7,200 | | 4,190 | 605,712 | 707,167 |
| TOTAL OPERATING EXPENSES | 3,003,868 | 5,681,219 | 13,031 | 432,029 | 9,130,147 | 8,658,125 |
| OPERATING INCOME (LOSS) | (1,143,451) | 156,386 | - | (380,273) | (1,367,338) | 324,449 |
| NON-OPERATING REVENUES AND (EXPENSES) | | | | | | |
| Interest Income | 2,527 | | | 121 | 2,648 | 20,535 |
| HUD Capital Grants | 386,609 | | | | 386,609 | 1,189,070 |
| Interfund Revenue | 592,315 | | | | 592,315 | 504,109 |
| Interfund Expenses | (511,915) | (80,400) | | | (592,315) | (504,109) |
| TOTAL NON-OPERATING | 469,536 | (80,400) | - | 121 | 389,257 | 1,209,605 |
| CHANGES IN NET ASSETS | (673,915) | 75,986 | - | (380,152) | (978,081) | 1,534,054 |
| PRIOR PERIOD ADJUSTMENT | | | | | | |
| BEGINNING NET ASSETS | 27,000,317 | 246,920 | - | 2,787,064 | 30,034,301 | 29,120,269 |
| ENDING NET ASSETS | \$ 26,326,402 | \$ 322,906 | \$ - | \$ 1,422,549 | \$ 28,071,857 | \$ 30,034,301 |

See Accompanying Notes to Financial Statements

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012) **EXHIBIT C**

| | 2013 | 2012 |
|--|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Tenants and Others | \$ 8,034,166 | \$ 8,979,402 |
| Payments to Employees | (1,422,205) | (1,125,218) |
| Payments to Vendors and Suppliers | (5,314,235) | (3,728,251) |
| Net Cash Provided by/(Used for) Operating Activities | 1,297,726 | 4,125,933 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase)/Decrease in Investments | 383,701 | 967,351 |
| (Increase)/Decrease in Investments in Partnership | (64,578) | 64,578 |
| Interest on Investments | 2,648 | 20,535 |
| Net Cash Provided by/(Used for) Investing Activities | 321,771 | 1,052,464 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital Grants | 386,609 | 1,189,070 |
| Transfer of Capital Grants | (984,363) | (620,022) |
| Investment in Capital Assets | (91,377) | (596,156) |
| (Increase)/Decrease in Notes & Developer Fees Receivable | 2,128,835 | (5,894,723) |
| Net Cash Provided by/(Used for) Financing Activities | 1,439,704 | (5,921,831) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,059,201 | (743,434) |
| CASH AND CASH EQUIVALENTS AT JAN. 1, 2013 | 534,549 | 1,277,983 |
| CASH AND CASH EQUIVALENTS AT DEC. 31, 2013 | <u>\$ 3,593,750</u> | <u>\$ 534,549</u> |
| Reconciliation of Operating Loss to Net Cash | | |
| Used by Operating Activities | | - |
| Operating Loss | \$ (978,081) | \$ 1,534,054 |
| Adjustments To Reconcile: | | |
| Depreciation | 605,712 | 707,167 |
| Changes in Assets and Liabilities | | |
| (Increase)/Decrease in Accounts Receivable | 12,915 | 1,995,846 |
| (Increase)/Decrease in Prepaid Expenses | (27,449) | 40,007 |
| (Increase)/Decrease in Material Inventories | (4,396) | (6,724) |
| Increase/(Decrease) in Accounts Payable | 923,656 | (594,689) |
| Increase/(Decrease) in Accrued Liabilities | (13,811) | (5,549) |
| Increase/(Decrease) in Trust Deposits | 24,152 | 6,947 |
| Increase/(Decrease) in Deferred Liabilities | 755,028 | 448,874 |
| Net Cash Provided by/(Used for) Operating Activities | \$ 1,297,726 | \$ 4,125,933 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES | | |

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENT

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 1 – Organization and Program Description

The Housing Authority of the City of Hammond, Indiana (the Authority) is a municipal corporation created and organized under the Housing Authority Act of the State of Indiana to engage in the acquisition, development, leasing and administration of a low-rent housing program and other federally assisted programs.

The governing body of the Authority is its Board of Commissioners (Board) composed of seven members appointed by the Mayor of the City of Hammond (City). The Board appoints an Executive Director to administer the affairs of the Authority. The Authority is not considered a component unit of the City.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and to provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; to make housing assistance payments; and to make annual contributions (subsidies) to PHAs for the purpose of maintaining the low rent character of the local housing program.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into public housing and grant programs as follows:

Low Rent Housing– The low rent housing program provides subsidized housing to low income residents. The Authority is the owner of public housing units located throughout the City. The Authority receives revenue from dwelling rental income and operating subsidies provided by HUD. “Capital and Development Funds,” funded by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent housing 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 Counseling Grant– This program provides counselors to assist homeowners, potential homeowners, tenants and homeless seeking to improve their housing situation. Funding for this program is provided by grants from HUD.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

A. Reporting Entity

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

These principles define the reporting entity of the primary government, as well as its component units. Component units are separate legal organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Based upon the application of these criteria, the reporting entity includes Homestead Enterprise Housing, Inc., as a component unit.

The basis criterion for including a legally separate organization as a component unit is the degree of financial accountability the Authority has over the organization.

Component Unit

Homestead Enterprise Housing, Inc. was organized in 1978 by the Housing Authority of the City of Hammond, Indiana as an Indiana nonprofit corporation under the authority of the Indiana Not for Profit Corporation Act of 1971. Originally, the Organization's main purpose was to issue bonds for private developers to construct federally subsidized low-income housing. Bonds issued by the Organization were guaranteed by the United States Department of Housing and Urban Development, under the United States Housing Act of 1937. It was also to develop and provide affordable housing. The Organization also acquires, rehabilitates and sells property to low-income families.

In June 1999, the Government Accounting Standards Board unanimously approved Statement 34, Basic Financial – and Management Discussion and analysis (MD&A) section which provided an analysis of the overall financial positions and results of operations.

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

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

and expenses are recorded at the time they are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

C. Fund Accounting

Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Authority maintains the following fund types and account groups:

Proprietary Funds - The Authority's operations are accounted for in a single *Enterprise Fund*. *Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Budgets- Budgets are adopted for applicable enterprise funds on a basis consistent with accounting principles generally accepted in the United States of America. The Authority is not legally required to adopt budgets for such funds. However, the Authority has contractual requirements to adopt budgets for applicable HUD programs. All annual appropriations lapse at fiscal year-end. Multi-year appropriations for capital projects (all capital projects are currently accounted for in Proprietary Funds) are adopted for the length of the project and/or program and are annualized for accounting purposes. Additional information on the Authority's budgetary requirements and controls is disclosed in Note 2.

Management's Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification - Certain amounts in the prior year financial statements have been re-classed for comparative purposes to conform to the presentation in the current year financial statements.

Investments-The Authority has estimated the fair values of its financial investments using available market information and other valuation methodologies in accordance with SFAS No. 124, *Financial Statements of Not-for-Profit Organizations*, and SFAS No. 157, *Fair Value Measurements*. Investments are stated at fair value in accordance with GASB Statement No. 31. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds.

Change in Accounting Principles- The Authority adopted the provision of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* in 2001. Statement No. 34 establishes financial reporting standards for all state and

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

local governments and related entities. Statement No. 34 relates to presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets and the inclusion of management's discussion and analysis.

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Inventories- Inventories are stated at the lower cost or market.

Prepaid Expenditures- Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items.

Fixed Assets- The Authority capitalizes fixed assets with a cost of more than \$5,000 and a useful life of one year or more. Proprietary fund types focus on capital maintenance. Accordingly, land, structures and equipment are recorded in the enterprise fund, which acquires such assets.

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

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

Compensated Absences- Vested or accumulated vacation has been recorded in the financial statements.

- Vacation is accrued based on length of employment, ranging from 10 days per 2 years of continuous service to 30 days after 20 years of continuous service. Vacations are not allowed to be accumulated from year to year.
- Sick pay is granted at the rate of one day per month, the days carry over from year to year and are limited to 960 hours.

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

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 2 – Budget Information

The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Director of Finance prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Operating budgets are not prepared for capital projects activity, which is included in the low rent housing enterprise fund. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners.

Enterprise Funds - All enterprise fund operating budgets are prepared for the upcoming year by the end of the current fiscal year and are approved by the Authority's Board of Commissioners and/or HUD. Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through periodic budgeting and reporting requirements.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents totaled \$3,593,751 at December 31, 2013, consisting of amounts maintained in commercial checking accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name.

Of the total cash, \$441,384 is restricted, as follows:

| | |
|--------------------------|----------------------------|
| Unrestricted Cash | \$ 3,152,367 |
| Restricted | |
| Tenant Security Deposits | 77,289 |
| Section 8 HAP Equity | 257,532 |
| FSS - Escrow | 106,563 |
| Total Restricted Cash | <u>441,384</u> |
| Total Cash | <u><u>\$ 3,593,751</u></u> |

Note 4 – Investments

At December 31, 2013, investments totaled \$2,316,131 and determined as a Category 2 marketable securities. The Housing Authority's investments in marketable securities are stated at net fair market value at year-end. Investments are fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 5 - Accounts Receivable

At December 31, 2012, accounts receivable totaled \$119,198, and consisted of the following:

| | |
|-----------------------------|-------------------|
| HUD | \$ 46,088 |
| Tenants, net allowance | 15,853 |
| Accounts Receivable - Other | 57,257 |
| Total | <u>\$ 119,198</u> |

The Authority reviews the accounts receivable periodically. In fiscal year 2013, the Authority wrote off \$1,388 in tenant receivables, which were deemed uncollectible.

Inter-fund receivables at December 31, 2013 totaled \$111,755 and were offset by inter-fund payables of the same amount.

Note 6 - Development Fees Receivable

Homestead Enterprise Housing, the component unit, was the developer and/or general partner in the development of the Golden Manor and Saxony Townhomes, American Heartland Homes One (AHH1), and American Heartland Homes Two (AHH2) housing projects. Homestead Enterprise Housing receives a development fee for its services in connection with the development of the projects. Development fees outstanding at December 31, 2013 totaled \$1,775,085 as follows:

| | |
|------------------------------|---------------------|
| Golden Manor | \$ 289,335 |
| Saxsony Townhome | 313,393 |
| American Heartland Homes One | 457,357 |
| American Heartland Homes Two | 715,000 |
| Total | <u>\$ 1,775,085</u> |

Note 7 - Prepaid Expenses

Prepaid expenses totaled \$119,041 at December 31, 2013, and consisted of prepaid insurances.

Note 8 - Material Inventories

Material inventories totaled \$51,735 at December 31, 2013. Material inventories are stated at the lower of cost or market. Material inventories are reviewed periodically for obsolescence and are adjusted accordingly.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 9 – Notes Receivable

Notes receivable totaled \$13,657,465, at December 31, 2013 as follows:

| | Note Receivable | Accrued Interest |
|-----------------------|----------------------------|-----------------------------|
| AHH1 Notes Receivable | \$ 846,000 | \$ 95,327 |
| AHH1 Money Mortgage | 6,765,215 | 182,396 |
| AHH2 Notes Receivable | 5,334,485 | 166,551 |
| AHH1 Loan from HEH | 384,687 | 51,292 |
| Flagstone | 327,078 | |
| Total | \$ 13,657,465 | \$ 495,566 |

The Authority entered into a mixed finance agreement with American Heartland Homes One, LLC (AHH1) on June 29, 2010 to loan the company an amount not to exceed \$11,500,000 at a rate of 1.25 percent. The loan matures on December 31, 2065. The agreement calls for payments to commence on May 1, 2012, in an amount equal to available net cash flow of the company. All unpaid principal and interest are due at maturity. AHH1 repaid \$4,734,785 in September 2012. At December 31, 2013, \$6,765,215 was outstanding. Accrued interest totaled \$182,396.

The Authority entered into a purchase money mortgage with American Heartland Homes One, LLC (AHH1) on June 29, 2010 to loan the company \$846,000 at a rate of 4.3 percent. The mortgage requires base payments to commence on the first day of the calendar month following completion of the project and on the first day of each calendar month thereafter, in an amount equal to \$4,187. The mortgage also calls for additional annual payments to commence on May 1, 2012, in an amount equal to available net cash flow of the company. No payments have been made. All unpaid principal and interest are due on December 31, 2035. As of December 31, 2013, the mortgage receivable was \$846,000 with accrued interest of \$95,327.

The Authority entered into a purchase money mortgage with American Heartland homes Two, LLC (AHH2) on August 18, 2011 to loan the company \$3,313,941 at a rate of 3.0 percent. The mortgage requires annual payments equal to the amount of available net cash flow of the company. All unpaid principal and accrued interest are due on December 31, 2051. In 2012 the Authority made additional loans to AHH2. As of December 31, 2013, the mortgage receivable was \$5,334,485 with accrued interest of \$166,551.

Homestead Enterprise Housing, Inc., the component unit, entered into an agreement with American Heartland Homes One, LLC (AHH1) on June 26, 2010 to loan the company an amount not to exceed \$250,000 at a rate of 1.25 percent. The loan matures on December 31, 2065. The agreement calls for annual payments to commence on May 1, 2010, in the amount equal to 50 percent of available net cash flow. All unpaid principal and accrued interest are due at maturity. AHH1 owed HEH \$384,687, at December 2013. Accrued interest totaled \$51,292.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

The Authority also began another mixed income project called Flagstone. Private developers have not yet been identified. As of December 31, 2013, the Authority had loaned the project \$327,078.

Note 10 - Land, Structures and Equipment

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

| | <u>December 31, 2012</u> | <u>Additions and</u> <u>Deletions</u> | <u>December 31, 2013</u> |
|---------------------------|--------------------------|--|--------------------------|
| Land and Structures | \$ 15,919,786 | \$ (14,670) | \$ 15,905,116 |
| Equipment and Furniture | 1,142,274 | 27,098 | 1,169,372 |
| Construction in Progress | 2,602,254 | 91,377 | 2,693,631 |
| Less Accum. Depreciation | (11,121,567) | (605,712) | (11,727,279) |
| Total Fixed Assets | \$ 8,542,747 | \$ (501,907) | \$ 8,040,840 |

Changes in fixed assets consist of equipment purchases, disposal of assets and capital improvements made during the audit period.

Fixed assets are recorded at cost. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Depreciation expenses for 2013 totaled \$605,712.

The Authority had additions totaling \$27,098, and disposals of \$14,670. Construction in Progress totaled \$2,693,631 at December 31, 2013.

Note 11 - Accounts Payable

Accounts payable totaled \$457,560 at December 31, 2013, which consisted of the following:

| | |
|----------------------------|-------------------|
| Accounts Payable - Vendors | \$ 362,929 |
| Tenant Security Deposits | 77,289 |
| Accounts Payable - Other | 17,342 |
| Total | \$ 457,560 |

The Authority also had Interfund Payable totaling \$111,755 and is offset by the total Interfund Receivables balance.

Note 12 - Accrued Liabilities

Accrued liabilities totaled \$9,410 at December 31, 2013, and represented amounts due for accrued payroll taxes.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 13 - Developer Fees Payable

Development fees payable at December 31, 2013 totaled \$1,018,985 and consisted of amounts due to developers for various projects.

Note 14 - Trust Deposits

Trust deposits at December 31, 2013, totaled \$106,563, and consisted of amounts due under the family self-sufficiency program.

Note 15 - Deferred Revenue

Deferred revenue at December 31, 2013 \$509,124 and consisted of accrued interest due from various notes receivables, refer to note 9.

Note 16 - Employee Benefit Plans

The Authority participates in a qualified defined contribution retirement plan administered by a private administrator. The Plan covers all full-time employees after one year of service. The maximum contribution is 13 percent of the employee's monthly salary. Participants' benefits are fully vested after five years of participation.

The normal retirement date is the participants' 65th birthday. Participants' may elect to retire anytime after their 55th birthday, at which time they are 100% vested regardless of years of service. The amount a participant receives at early, normal, or postponed retirement is based on the amount accumulated in their account.

Retirement Plan expense for the year ended December 31, 2013, totaled \$112,278. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan. Plan assets at December 31, 2013, totaled \$1,557,445, as indicated below.

| | |
|-------------------|----------------------------|
| Beginning Balance | \$ 1,418,287 |
| Additions | 250,937 |
| Withdrawls | (111,779) |
| Ending Balance | \$ <u><u>1,557,445</u></u> |

The Authority's total payroll expense was \$1,422,205 for the year ended December 31, 2013.

Note 17 - Commitments and Contingencies

The Authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning and other services. Such commitments are monthly or annual.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

The Authority also has certain contingent liabilities resulting from claims and commitments incident to the ordinary course of business. Management expects that final resolution of such contingencies will not materially affect the financial position of the Authority.

The Authority has entered into an agreement to sell real estate valued at \$1,200,000, contingent upon the buyer receiving an allocation of rental housing tax credits.

Note 18 - Administrative Fees

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

Note 19 – Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2013, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2013. Management has performed their analysis through August 6, 2014, the date the financial statements were issued. The Authority has not evaluated events occurring after August 6, 2014 in these financial statements.

Note 20 – Prior Period Adjustment

The Prior Period Adjustment totaling (\$984,363) resulted from development fee costs for mixed income projects.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT D

| FEDERAL GRANTOR | ANNUAL CONTRIBUTION OR AWARD CONTRACT # | PROGRAM CFDA # | FEDERAL AWARDS | TOTAL PROGRAM EXPENDED EXPENDITURES |
|---|---|-------------------|----------------------------|---|
| Major Programs - U S Department of Housing and Urban Development | | | | |
| <u>Direct Program</u> | | | | |
| <u>Low Rent Housing Program</u> | | | | |
| Low Rent Housing Programs | C - 918 | 14.850 | \$ 961,465 | \$ 3,129,174 |
| Capital Fund Program | C - 918 | 14.872 | <u>386,609</u> | <u>386,609</u> |
| Total Low Rent Housing Programs | | | 1,348,074 | 3,515,783 |
| <u>Housing Assistance Payment Program</u> | | | | |
| Section 8 - Housing Choice Voucher Program | C - 2027 | 14.871 | <u>5,558,114</u> | <u>5,761,619</u> |
| Total Housing Assistance Program Payments | | | 5,558,114 | 5,761,619 |
| Total U S Department of Housing and Urban Development (Major Programs) | | | <u>6,906,188</u> | <u>9,277,402</u> |
| Non-Major Programs | | | | |
| U S Department of Housing and Urban Development | | | | |
| Housing Counseling | C - 918 | 14.149 | <u>8,350</u> | <u>13,031</u> |
| Total U.S. Department of Housing and Urban Development (Non-Major Programs) | | | 13,031 | 13,031 |
| Total All Programs - U S Department of Housing and Urban Development | | | \$ <u>6,919,219</u> | \$ <u>9,290,433</u> |

See Accompanying Notes to the Schedule of Expenditure of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Muncie, Indiana (the Authority), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under programs of the federal government during the year ended December 31, 2013. The awards are classified into major and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2013, and should be read in conjunction with the Authority's consolidated financial statements.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and department of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

Note 3 – Type of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

The Authority did not receive any non-cash assistance from federal funds, had no federal insurance, nor have any loan or loan guarantees outstanding as of December 31, 2013.

Housing Authority of the City of Hammond (IN010)

HAMMOND, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

| | Project Total | 14.871 Housing Choice Vouchers | 14,169 Housing Counseling Assistance Program | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--|-----------------------|-------------|---------------|--------------|---------------|
| 111 Cash - Unrestricted | \$2,725,598 | | \$8,870 | \$609,828 | | \$3,344,296 | | \$3,344,296 |
| 112 Cash - Restricted - Modernization and Development | | | | | | | | |
| 113 Cash - Other Restricted | | \$249,454 | | | | \$249,454 | | \$249,454 |
| 114 Cash - Tenant Security Deposits | | | | | | | | |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | | | | |
| 100 Total Cash | \$2,725,598 | \$249,454 | \$8,870 | \$609,828 | \$0 | \$3,593,750 | \$0 | \$3,593,750 |
| 121 Accounts Receivable - PHA Projects | | \$45,754 | | | | \$45,754 | | \$45,754 |
| 122 Accounts Receivable - HUD Other Projects | \$46,088 | | | | | \$46,088 | | \$46,088 |
| 124 Accounts Receivable - Other Government | | \$51 | | | | \$51 | | \$51 |
| 125 Accounts Receivable - Miscellaneous | \$301 | | | | \$5,900 | \$6,201 | | \$6,201 |
| 126 Accounts Receivable - Tenants | \$15,907 | | | \$5,250 | | \$21,157 | | \$21,157 |
| 126.1 Allowance for Doubtful Accounts -Tenants | -\$53 | | | \$0 | | -\$53 | | -\$53 |
| 126.2 Allowance for Doubtful Accounts - Other | \$0 | \$0 | | | \$0 | \$0 | | \$0 |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | | | |
| 128 Fraud Recovery | | | | | | | | |
| 128.1 Allowance for Doubtful Accounts - Fraud | | | | | | | | |
| 129 Accrued Interest Receivable | | | | | | | | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$62,243 | \$45,805 | \$0 | \$5,250 | \$5,900 | \$119,198 | \$0 | \$119,198 |
| 131 Investments - Unrestricted | \$2,011,371 | | | | \$120,909 | \$2,132,280 | | \$2,132,280 |
| 132 Investments - Restricted | \$77,288 | \$106,563 | | | | \$183,851 | | \$183,851 |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | \$76,146 | \$11,770 | | | \$31,125 | \$119,041 | | \$119,041 |
| 143 Inventories | \$51,735 | | | | | \$51,735 | | \$51,735 |
| 143.1 Allowance for Obsolete Inventories | \$0 | | | | | \$0 | | \$0 |
| 144 Inter Program Due From | \$111,755 | | | | | \$111,755 | -\$111,755 | \$0 |
| 145 Assets Held for Sale | | | | | | | | |
| 150 Total Current Assets | \$5,116,136 | \$413,592 | \$8,870 | \$615,078 | \$157,934 | \$6,311,610 | -\$111,755 | \$6,199,855 |
| 161 Land | \$294,336 | | | | \$92,816 | \$387,152 | | \$387,152 |
| 162 Buildings | \$1,348,678 | \$175,548 | | | \$186,948 | \$1,711,174 | | \$1,711,174 |
| 163 Furniture, Equipment & Machinery - Dwellings | | | | | | | | |
| 164 Furniture, Equipment & Machinery - Administration | \$862,273 | \$43,301 | | \$20,949 | \$246,632 | \$1,173,155 | | \$1,173,155 |
| 165 Leasehold Improvements | \$13,771,810 | | | | \$34,980 | \$13,806,790 | | \$13,806,790 |
| 166 Accumulated Depreciation | -\$11,238,237 | -\$201,888 | | -\$10,475 | -\$276,679 | -\$11,727,279 | | -\$11,727,279 |
| 167 Construction in Progress | \$2,689,848 | | | | | \$2,689,848 | | \$2,689,848 |
| 168 Infrastructure | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$7,728,708 | \$16,961 | \$0 | \$10,474 | \$284,697 | \$8,040,840 | \$0 | \$8,040,840 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | \$13,272,778 | | | | \$2,159,772 | | \$15,432,550 | |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due | | | | | | | | |

| | | | | | | | | |
|---|--------------|-----------|---------|-------------|-----------|--------------|------------|--------------|
| 173 Grants Receivable - Non Current | | | | | | | | |
| 174 Other Assets | \$444,274 | | | \$55,980 | | \$500,254 | | \$500,254 |
| 176 Investments in Joint Ventures | | | | \$0 | | \$0 | | \$0 |
| 180 Total Non-Current Assets | \$21,445,760 | \$16,961 | \$0 | \$2,226,226 | \$284,697 | \$23,973,644 | \$0 | \$23,973,644 |
| 190 Total Assets | \$26,561,896 | \$430,553 | \$8,870 | \$2,841,304 | \$442,631 | \$30,285,254 | -\$111,755 | \$30,173,499 |
| 200 Deferred Outflow of Resources | | | | | | | | |
| 290 Total Assets and Deferred Outflow of Resources | \$26,561,896 | \$430,553 | \$8,870 | \$2,841,304 | \$442,631 | \$30,285,254 | -\$111,755 | \$30,173,499 |
| 311 Bank Overdraft | | | | | | | | |
| 312 Accounts Payable <= 90 Days | \$17,682 | \$1,084 | | \$343,790 | \$373 | \$362,929 | | \$362,929 |
| 313 Accounts Payable >90 Days Past Due | | | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | | | | | | \$9,410 | \$9,410 | \$9,410 |
| 322 Accrued Compensated Absences - Current Portion | | | | | | | | |
| 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 | \$77,289 | | | | | \$77,289 | | \$77,289 |
| 342 Unearned Revenue | | | | | | | | |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | | | | | | | | |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | | | | | | |
| 345 Other Current Liabilities | \$2,908 | | | \$1,018,985 | \$4,412 | \$1,026,305 | | \$1,026,305 |
| 346 Accrued Liabilities - Other | \$10,022 | | | | | \$10,022 | | \$10,022 |
| 347 Inter Program - Due To | \$94,677 | | | | \$17,078 | \$111,755 | -\$111,755 | \$0 |
| 348 Loan Liability - Current | | | | | | | | |
| 310 Total Current Liabilities | \$202,578 | \$1,084 | \$0 | \$1,362,775 | \$31,273 | \$1,597,710 | -\$111,755 | \$1,485,955 |
| 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 | \$444,274 | \$106,563 | \$8,870 | \$55,980 | | \$509,124 | | \$509,124 |
| 354 Accrued Compensated Absences - Non Current | | | | | | | | |
| 355 Loan Liability - Non Current | | | | | | | | |
| 356 FASB 5 Liabilities | | | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | | | | | | | | |
| 350 Total Non-Current Liabilities | \$444,274 | \$106,563 | \$8,870 | \$55,980 | \$0 | \$509,124 | \$0 | \$509,124 |
| 300 Total Liabilities | \$646,852 | \$107,647 | \$8,870 | \$1,418,755 | \$31,273 | \$2,213,397 | -\$111,755 | \$2,101,642 |
| 400 Deferred Inflow of Resources | | | | | | | | |
| 508.4 Net Investment in Capital Assets | \$7,728,708 | \$16,961 | | \$10,474 | \$284,697 | \$8,040,840 | | \$8,040,840 |
| 511.4 Restricted Net Position | | \$257,532 | | | | \$257,532 | | \$257,532 |
| 512.4 Unrestricted Net Position | \$18,186,336 | \$48,413 | \$0 | \$1,412,075 | \$126,661 | \$19,773,485 | | \$19,773,485 |
| 513 Total Equity - Net Assets / Position | \$25,915,044 | \$322,906 | \$0 | \$1,422,549 | \$411,358 | \$28,071,857 | \$0 | \$28,071,857 |
| 600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position | \$26,561,896 | \$430,553 | \$8,870 | \$2,841,304 | \$442,631 | \$30,285,254 | -\$111,755 | \$30,173,499 |

Housing Authority of the City of Hammond (IN010)

HAMMOND, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

| | Project Total | 14,871 Housing Choice Vouchers | 14,169 Housing Counseling Assistance Program | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|--|-----------------------|-------------|-------------|------------|-------------|
| 70300 Net Tenant Rental Revenue | \$533,833 | | | | | \$533,833 | | \$533,833 |
| 70400 Tenant Revenue - Other | \$6,734 | | | | | \$6,734 | | \$6,734 |
| 70500 Total Tenant Revenue | \$540,567 | \$0 | \$0 | \$0 | \$0 | \$540,567 | \$0 | \$540,567 |
| 70600 HUD PHA Operating Grants | \$1,055,147 | \$5,558,114 | \$13,031 | | \$220,905 | \$6,847,197 | | \$6,847,197 |
| 70610 Capital Grants | \$91,377 | | | | | \$91,377 | | \$91,377 |
| 70710 Management Fee | | | | | | | | |
| 70720 Asset Management Fee | | | | | | | | |
| 70730 Book Keeping Fee | | | | | | | | |
| 70740 Front Line Service Fee | | | | | | | | |
| 70750 Other Fees | | | | | \$592,315 | \$592,315 | -\$592,315 | \$0 |
| 70700 Total Fee Revenue | | | | | \$592,315 | \$592,315 | -\$592,315 | \$0 |
| 70800 Other Government Grants | | | | | | | | |
| 71100 Investment Income - Unrestricted | \$0 | | | \$121 | \$2,527 | \$2,648 | | \$2,648 |
| 71200 Mortgage Interest Income | | | | | | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | | | |
| 71400 Fraud Recovery | | \$23,639 | | | | \$23,639 | | \$23,639 |
| 71500 Other Revenue | \$124,179 | \$255,852 | | \$51,756 | \$214,851 | \$646,638 | | \$646,638 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | | | |
| 72000 Investment Income - Restricted | \$0 | \$0 | | | | \$0 | | \$0 |
| 70000 Total Revenue | \$1,811,270 | \$5,837,605 | \$13,031 | \$51,877 | \$1,030,598 | \$8,744,381 | -\$592,315 | \$8,152,066 |
| 91100 Administrative Salaries | \$158,619 | \$254,698 | \$5,789 | | \$341,737 | \$760,843 | | \$760,843 |
| 91200 Auditing Fees | \$18,000 | \$9,000 | | \$15,750 | \$9,000 | \$51,750 | | \$51,750 |
| 91300 Management Fee | | | | | | | | |
| 91310 Book-keeping Fee | | | | | | | | |
| 91400 Advertising and Marketing | | | | | | | | |
| 91500 Employee Benefit contributions - Administrative | | \$73,394 | | | \$117,222 | \$190,616 | | \$190,616 |
| 91600 Office Expenses | \$1,738 | \$2,133 | | | \$9,437 | \$13,308 | | \$13,308 |
| 91700 Legal Expense | \$4,973 | | | \$3,418 | \$233,501 | \$241,892 | | \$241,892 |
| 91800 Travel | \$1,342 | \$1,017 | | | \$2,437 | \$4,796 | | \$4,796 |
| 91810 Allocated Overhead | \$511,915 | \$80,400 | | | | \$592,315 | -\$592,315 | \$0 |
| 91900 Other | \$357,847 | \$26,685 | \$3,984 | \$8,760 | \$68,317 | \$465,593 | | \$465,593 |
| 91000 Total Operating - Administrative | \$1,054,434 | \$447,327 | \$9,773 | \$27,928 | \$781,651 | \$2,321,113 | -\$592,315 | \$1,728,798 |
| 92000 Asset Management Fee | | | | | | | | |
| 92100 Tenant Services - Salaries | \$47,890 | | | | \$68 | \$47,958 | | \$47,958 |
| 92200 Relocation Costs | | | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | | | | | | | | |
| 92400 Tenant Services - Other | \$491 | | | | | \$491 | | \$491 |

| | | | | | | | | |
|---|-------------|-------------|----------|------------|-------------|-------------|------------|-------------|
| 92500 Total Tenant Services | \$48,381 | \$0 | \$0 | \$0 | \$68 | \$48,449 | \$0 | \$48,449 |
| 93100 Water | \$28,868 | \$332 | | | \$608 | \$29,808 | | \$29,808 |
| 93200 Electricity | \$122,782 | \$2,059 | | | \$8,534 | \$133,375 | | \$133,375 |
| 93300 Gas | \$41,397 | \$1,489 | | | \$2,944 | \$45,830 | | \$45,830 |
| 93400 Fuel | | | | | | | | |
| 93500 Labor | | | | | | | | |
| 93600 Sewer | | | | | | | | |
| 93700 Employee Benefit Contributions - Utilities | | | | | | | | |
| 93800 Other Utilities Expense | | | | | | | | |
| 93000 Total Utilities | \$193,047 | \$3,880 | \$0 | \$0 | \$12,086 | \$209,013 | \$0 | \$209,013 |
| 94100 Ordinary Maintenance and Operations - Labor | \$175,741 | | | | \$44,126 | \$219,867 | | \$219,867 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$48,806 | | | \$3,938 | \$1,746 | \$54,490 | | \$54,490 |
| 94300 Ordinary Maintenance and Operations Contracts | \$151,198 | \$3,271 | | | \$22,406 | \$176,875 | | \$176,875 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$153,661 | | | | | \$153,661 | | \$153,661 |
| 94000 Total Maintenance | \$529,406 | \$3,271 | \$0 | \$3,938 | \$68,278 | \$604,893 | \$0 | \$604,893 |
| 95100 Protective Services - Labor | | | | | \$1,020 | \$106,044 | | \$107,064 |
| 95200 Protective Services - Other Contract Costs | \$1,342 | \$315 | | | | \$11,466 | \$13,123 | \$13,123 |
| 95300 Protective Services - Other | | | | | | \$12,348 | \$12,348 | \$12,348 |
| 95500 Employee Benefit Contributions - Protective Services | | | | | | | | |
| 95000 Total Protective Services | \$1,342 | \$315 | \$0 | \$1,020 | \$129,858 | \$132,535 | \$0 | \$132,535 |
| 96110 Property Insurance | \$33,043 | | | | \$5,418 | \$38,461 | | \$38,461 |
| 96120 Liability Insurance | | | | | | | | |
| 96130 Workmen's Compensation | | | | | | | | |
| 96140 All Other Insurance | | \$14,013 | | | | \$14,013 | | \$14,013 |
| 96100 Total insurance Premiums | \$33,043 | \$14,013 | \$0 | \$0 | \$5,418 | \$52,474 | \$0 | \$52,474 |
| 96200 Other General Expenses | \$21,142 | \$14,788 | \$3,258 | \$394,953 | \$14,957 | \$449,098 | | \$449,098 |
| 96210 Compensated Absences | | | | | | | | |
| 96300 Payments in Lieu of Taxes | \$10,022 | | | | | \$10,022 | | \$10,022 |
| 96400 Bad debt - Tenant Rents | \$1,388 | | | | | \$1,388 | | \$1,388 |
| 96500 Bad debt - Mortgages | | | | | | | | |
| 96600 Bad debt - Other | | | | | | | | |
| 96800 Severance Expense | | | | | | | | |
| 96000 Total Other General Expenses | \$32,552 | \$14,788 | \$3,258 | \$394,953 | \$14,957 | \$460,508 | \$0 | \$460,508 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | | | | |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96900 Total Operating Expenses | \$1,892,205 | \$483,594 | \$13,031 | \$427,839 | \$1,012,316 | \$3,828,985 | -\$592,315 | \$3,236,670 |
| 97000 Excess of Operating Revenue over Operating Expenses | -\$80,935 | \$5,354,011 | \$0 | -\$375,962 | \$18,282 | \$4,915,396 | \$0 | \$4,915,396 |
| 97100 Extraordinary Maintenance | \$1,422 | | | | \$950 | \$2,372 | | \$2,372 |
| 97200 Casualty Losses - Non-capitalized | | | | | \$19,211 | \$19,211 | | \$19,211 |
| 97300 Housing Assistance Payments | | \$5,067,083 | | | | \$5,067,083 | | \$5,067,083 |

| | | | | | | | |
|---|--------------|-------------|----------|-------------|-------------|--------------|--------------|
| 97350 HAP Portability-In | | \$203,742 | | | \$203,742 | | \$203,742 |
| 97400 Depreciation Expense | \$550,385 | \$7,200 | | \$4,190 | \$39,294 | \$601,069 | \$601,069 |
| 97500 Fraud Losses | | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | | |
| 90000 Total Expenses | \$2,444,012 | \$5,761,619 | \$13,031 | \$432,029 | \$1,071,771 | \$9,722,462 | -\$592,315 |
| 10010 Operating Transfer In | \$89,434 | | | | \$220,905 | \$310,339 | \$310,339 |
| 10020 Operating transfer Out | -\$89,434 | | | | -\$220,905 | -\$310,339 | -\$310,339 |
| 10030 Operating Transfers from/to Primary Government | | | | | | | |
| 10040 Operating Transfers from/to Component Unit | | | | | | | |
| 10050 Proceeds from Notes, Loans and Bonds | | | | | | | |
| 10060 Proceeds from Property Sales | | | | | | | |
| 10070 Extraordinary Items, Net Gain/Loss | | | | | | | |
| 10080 Special Items (Net Gain/Loss) | | | | | | | |
| 10091 Inter Project Excess Cash Transfer In | | | | | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | | | | | |
| 10093 Transfers between Program and Project - In | | | | | | | |
| 10094 Transfers between Project and Program - Out | | | | | | | |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$632,742 | \$75,986 | \$0 | -\$380,152 | -\$41,173 | -\$978,081 | \$0 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 11030 Beginning Equity | \$26,547,786 | \$246,920 | \$0 | \$0 | \$452,531 | \$27,247,237 | \$27,247,237 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | | | | \$1,802,701 | | \$1,802,701 | \$1,802,701 |
| 11050 Changes in Compensated Absence Balance | | | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | | | |
| 11170 Administrative Fee Equity | | \$65,374 | | | | \$65,374 | \$65,374 |
| 11180 Housing Assistance Payments Equity | | \$257,532 | | | | \$257,532 | \$257,532 |
| 11190 Unit Months Available | 3384 | 9792 | | | | 13176 | 13176 |
| 11210 Number of Unit Months Leased | 3260 | 9680 | | | | 12940 | 12940 |
| 11270 Excess Cash | \$4,552,886 | | | | | \$4,552,886 | \$4,552,886 |
| 11610 Land Purchases | \$0 | | | | | \$0 | \$0 |
| 11620 Building Purchases | \$0 | | | | | \$0 | \$0 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | | | | \$0 | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$0 | | | | | \$0 | \$0 |
| 11650 Leasehold Improvements Purchases | \$91,377 | | | | | \$91,377 | \$91,377 |
| 11660 Infrastructure Purchases | \$0 | | | | | \$0 | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | | | | \$0 | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | | | | \$0 | \$0 |

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF ACTIVITIES - HOUSING COUNSELING GRANT
FOR THE YEAR ENDED DECEMBER 31, 2013**

EXHIBIT E

| | 2013 | 2012 |
|--|----------------|----------------|
| <hr/> | | |
| REVENUES | | |
| HUD Program Grants | \$ 13,031 | \$ 19,055 |
| Other Revenues | 1,000 | |
| TOTAL REVENUES | 13,031 | 20,055 |
| <hr/> | | |
| EXPENSES | | |
| Administrative | 13,031 | 23,055 |
| TOTAL EXPENSES | 13,031 | 23,055 |
| CHANGE IN NET ASSETS | - | (3,000) |
| NET ASSETS AT DECEMBER 31, 2012 | - | 3,000 |
| NET ASSETS AT DECEMBER 31, 2013 | \$ _____ - | \$ _____ - |

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF ACTIVITES - BUDGET & ACTUAL - HOUSING COUNSELING GRANT
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT F

| | BUDGET | ACTUAL | VARIANCE |
|--|---------------|---------------|-----------------|
| <hr/> | | | |
| REVENUES | | | |
| HUD Program Grants | \$ 13,031 | \$ 13,031 | \$ - |
| TOTAL REVENUES | <hr/> 13,031 | <hr/> 13,031 | <hr/> - |
| <hr/> | | | |
| EXPENSES | | | |
| Administrative | <hr/> 13,031 | <hr/> 13,031 | <hr/> - |
| TOTAL EXPENSES | <hr/> 13,031 | <hr/> 13,031 | <hr/> - |
| CHANGE IN NET ASSETS | - | - | - |
| NET ASSETS AT JANUARY 1, 2013 | - | - | - |
| NET ASSETS AT DECEMBER 31, 2013 | <hr/> \$ - | <hr/> \$ - | <hr/> \$ - |

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CAPITAL FUND PROGRAM COST COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2013**

EXHIBIT G

**ANNUAL CONTRIBUTION CONTRACT C - 348
PHASES IN36 PO1O501-09, R010501-09, 209E AND 109T**

| | 501-09P | 501-09R | 209E | 109T | Total |
|----------------------------------|----------------|----------------|----------------|----------------|------------------|
| Funds Approved | \$ 568,680 | \$ 573,772 | \$ 581,948 | \$ 872,488 | \$ 2,596,888 |
| Funds Expended | <u>568,680</u> | <u>573,772</u> | <u>581,948</u> | <u>872,488</u> | <u>2,596,888</u> |
| Excess\Deficit of Funds Approved | \$ <u>-</u> |
| Funds Advanced | \$ 568,680 | \$ 573,772 | \$ 581,948 | \$ 872,488 | \$ 2,596,888 |
| Funds Expended | <u>568,680</u> | <u>573,772</u> | <u>581,948</u> | <u>872,488</u> | <u>2,596,888</u> |
| Excess\Deficit of Funds Advanced | \$ <u>-</u> |

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2013**

EXHIBIT H

ANNUAL CONTRIBUTION CONTRACT C - 348

PHASES IN36PO1O - 501-11, 501-12, 501-13, and 501-14.

| | 501-11 | 501-12 | 501-13 | 501-14 | Total |
|----------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| Funds Approved | \$ 612,832 | \$ 458,458 | \$ 494,008 | \$ 454,489 | \$ 2,019,787 |
| Funds Expended | <u>612,981</u> | <u>433,905</u> | <u>165,810</u> | <u>14,515</u> | <u>1,227,211</u> |
| Excess\Deficit of Funds Approved | \$ <u>(149)</u> | \$ <u>24,553</u> | \$ <u>328,198</u> | \$ <u>439,974</u> | \$ <u>792,576</u> |
| Funds Advanced | \$ 602,231 | \$ 413,082 | \$ 165,810 | \$ - | \$ 1,181,123 |
| Funds Expended | <u>612,981</u> | <u>433,905</u> | <u>165,810</u> | <u>14,515</u> | <u>1,227,211</u> |
| Excess\Deficit of Funds Advanced | \$ <u>(10,750)</u> | \$ <u>(20,823)</u> | \$ <u>-</u> | \$ <u>(14,515)</u> | \$ <u>(46,088)</u> |

- 1 Capital Fund Program costs for Phases IN 36-501-11, 12, 13 and 14 are shown above.
- 2 Cost additions for the audit period totaled \$24,250 for IN 36-501-11, \$182,333 for IN 36-501-12, \$165,810 for IN 36-501-13, \$14,515 for IN 36-501-14 and accordingly, were audited by Velma Butler & Company Ltd.

SINGLE AUDIT REPORTS

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Hammond, Indiana
Hammond, Indiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Hammond, Indiana (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

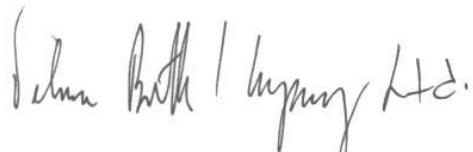
audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Velma Butler & Company Ltd."

Velma Butler & Company, Ltd.
Chicago, Illinois

August 8, 2014

**Report on Compliance with Requirements that Could Have A Direct and Material Effect on
Each Major Program and on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by OMB Circular A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Hammond, Indiana
Hammond, Indiana

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Hammond, Indiana (the Authority)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

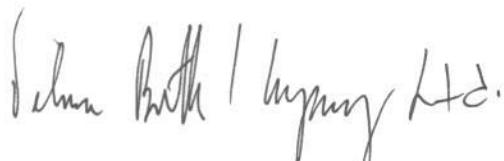
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of the internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended December 31, 2013, and have issued our report thereon dated August 8, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Velma Butler & Company, Ltd." followed by "Chicago, Illinois".

Velma Butler & Company, Ltd.
Chicago, Illinois

August 8, 2014

SUMMARY OF AUDITOR'S RESULTS

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

The type of report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted?
 Yes None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major program:

U.S. Department of Housing and Urban Development

CFDA Number Name of Federal Program

Low Rent Rental Assistance Programs

| | |
|--------|-----------------------|
| 14.850 | Low Rent Housing |
| 14.872 | Capital Fund Programs |

Housing Choice Voucher Housing Assistance Programs

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

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

Auditee qualified as low-risk auditee? Yes No

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SUMMARY OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section II - Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2012.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2012.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
COMPLIANCE WITH SECTION 8 HOUSING MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2013**

Compliance

Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
COMPLIANCE WITH PUBLIC HOUSING ASSESSMENT SYSTEM PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2013**

Compliance

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