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May 2, 2013

Board of Directors
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, 2011 to December 31, 2011. 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, 2011 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.

STATE BOARD OF ACCOUNTS

THE HOUSING AUTHORITY OF THE
CITY OF HAMMOND, INDIANA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2011,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITORS' RESULTS

THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City 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 the accompanying financial statements of the business-type activities, of the Housing Authority of the City of Hammond, Indiana (the Authority), for the year ended December 31, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

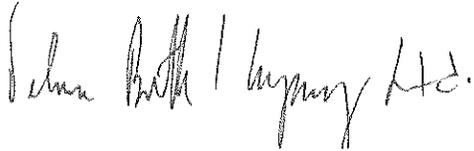
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Hammond, Indiana, as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our engagement.

In accordance with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* we have also issued our report dated June 8, 2012, on compliance with requirements applicable to each major program and internal control over compliance. That report is an integral part of an audit performed on the expenditure of federal awards and should be considered in assessing the results of our engagement.

The management's discussion and analysis and budgetary comparison information, on pages 3-7, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose for forming an opinion on the financial statements taken as a whole. The accompanying financial data schedules as of December 31, 2011, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is also not a required part of the financial statements of the Housing Authority of the City of Hammond, Indiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd." The signature is written in dark ink and is positioned above the printed name of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

June 8, 2012

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

1402 173rd SREET

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, 2011.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2011. 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, 2011, totaled \$29.1 million and represent an increase of \$8 million from December 31, 2010.
- Revenue increased by \$1.9 million for fiscal year 2011. The increase is primarily due to an increase in HUD Capital Grants.
- Operating expenses, excluding depreciation, decreased by \$159 thousand to \$7.6 million or by 2% from \$7.7 million at December 31, 2010.
- Net fixed assets were \$9.9 million at December 31, 2011, representing a decrease of \$1.6 million from the December 31, 2010, balance of \$11.4 million.
- Total liabilities decreased by \$341 thousand to \$1 million, at December 31, 2011.

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 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, 2011 increased by \$8 million or 37.6% to approximately \$29 million. Total liabilities decreased by \$341 thousand or 25% to \$1 million.

Current assets increased by 11%, or approximately \$737 thousand, primarily due to increases in investments and accounts receivable. Non-current assets increased by \$6.9 million or 43.6% from \$15.9 million to \$22.8 million primarily because of an increase in long term notes receivable loaned out for capital improvements.

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

	2011	2010	Difference	Percent Change
Current Assets	\$ 7,354	\$ 6,617	\$ 737	11.1%
Non-current Assets	22,779	15,900	6,879	43.3%
Total Assets	<u>30,133</u>	<u>22,517</u>	<u>7,616</u>	33.8%
Current Liabilities	735	1,310	(575)	-43.9%
Non-current Liabilities	278	44	234	531.8%
Total Liabilities	<u>1,013</u>	<u>1,354</u>	<u>(341)</u>	-25.2%
Invested in Capital Assets, Net	9,863	11,445	(1,582)	-13.8%
Restricted	1,124	516	608	117.8%
Unrestricted	18,133	9,202	8,931	97.1%
Total Net Assets	<u>29,120</u>	<u>21,163</u>	<u>7,957</u>	37.6%
Total Liabilities and Net Assets	<u>\$ 30,133</u>	<u>\$ 22,517</u>	<u>\$ 7,616</u>	33.8%

Capital Assets

Capital assets decreased by \$1.6 million from \$11.4 million to \$9.9 million as shown on the table below:

	December 31, 2010	Additions and Transfers in	December 31, 2011
Land and Structures	\$ 17,573,574	\$ (1,616,841)	\$ 15,956,733
Office Furniture and Equipment	1,122,595	40,628	1,163,223
Construction in Progress	4,306,196	(1,148,507)	3,157,689
Less Accumulated Depreciation	(11,556,714)	1,142,400	(10,414,314)
Total Fixed Assets	<u>\$ 11,445,651</u>	<u>\$ (1,582,320)</u>	<u>\$ 9,863,332</u>

Construction costs during the year totaled \$1,402,616, and construction in progress at year-end totaled \$3,157,689. Depreciation expenses totaled \$769,297, while write-offs and corrections to capital assets were \$1,981,601.

Change In Net Assets

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

The change in net assets at December 31, 2011, was an increase of approximately \$7.95 million, compared to a \$4.5 million increase for the period ended December 31, 2010.

As shown in Table 2, the Authority's total revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income increased by \$1,890 thousand or 11.5%.

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

	2011	2010	Difference	Percent Change
Operating Revenues	\$ 8,937	\$ 9,153	\$ (216)	-2.4%
Non-Operating Revenues	9,325	7,219	2,106	29.2%
Total Revenues	18,262	16,372	1,890	11.5%
Operating Expenses	7,556	7,715	(159)	-2.1%
Depreciation	769	745	24	3.2%
Total Expenses	8,325	8,460	(135)	-1.6%
Change in Net Assets	9,937	7,912	2,025	25.6%
Write Offs and Correction to Fixed Assets	(1,981)	(3,395)	1,414	-41.6%
Total Net Assets, Beginning	21,164	16,647	4,517	27.1%
Net Assets at End of Period	\$ <u>29,120</u>	\$ <u>21,164</u>	\$ <u>7,956</u>	37.6%

As shown in Table 3, the Authority's total expenses decreased by \$136 thousand or 1.6% to approximately \$8.3 million in 2011.

Table 3
Hammond Housing Authority's Operating Expense
(in thousand dollars)

	2011	2010	Difference	Percent Change
Administrative Expenses	\$ 1,764	\$ 1,905	\$ (141)	-7.4%
Tenant Services	70	133	(63)	-47.4%
Utilities Expenses	248	246	2	0.8%
Ordinary Maintenance	657	771	(114)	-14.8%
Protective Services	138	4	134	3350.0%
General Expenses	201	248	(47)	-19.0%
Extra Ordinary Maintenance	20	9	11	122.2%
Housing Assistance Payments	4,457	4,399	58	1.3%
Depreciation Expense	769	745	24	3.2%
Total Operating Expenses	\$ <u>8,324</u>	\$ <u>8,460</u>	\$ <u>(136)</u>	-1.6%

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 agency 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, Proformas and Pride can define all of the activities that encompassed 2011.

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 and moved full speed ahead for the next Phase of Revitalization. This phase was named "American Heartland Homes Two." This development would mark the second Mixed Income Development for the Hammond Housing Authority. The development merged Federal Capital Funds, American Recovery & Reinvestment Act 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). The Partnership agreement with H.E.H. the equity investor Richman was finalized and closed on June 30, 2010. The General Contractor awarded the contract was CRG. Immediately following the signing of the closing documents, the construction fencing was put up and the complete gut rehab and demolition of the existing units began. 9 units were gutted down just leaving the exterior walls and 54 units were demolished.

Historically, what should be recorded as a Major accomplishment about the Hammond Housing Authority for the year 2011 is then the following. This Housing Authority of the City of Hammond successfully put together its second Mixed Income Development. The development was named American Heartland Homes Two. Once completed, this development will provide 49 Affordable Housing units. There are Section 9 (federally subsidized units), Project Based Units and all the units fall under the I.R.S. Section 42 code for Low Income Tax Credit units. There are many stakeholders involved in the development and long term viability of this development. This event also marks the second time Hammond Housing Authority will manage a low income tax credit property. These tax credit units fall under the I.R.S. 42 Code.

Capital improvements best sums up the activities for the Public Housing units, many renovations were undertaken with American Recovery and Reinvestment Act (A.R.R.A.) funds that were awarded to the agency. Turner Park was awarded \$572,000 competitive A.R.R.A. funds. Precision Construction was awarded the contract for renovations on the main entrance to the building. This includes a new resident mailbox delivery setup, a satellite banking site, relocation of the management office to the front of the building, a library and a space for a service provider. Vito's Pharmacy has plans to open a new pharmacy at this location.

We were the First Community Garden in Hammond! Yes, the first Hammond Community Garden was an overwhelming complete success for the second 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), a SEMAP Rating of 97 was released for the 2011 year. The Housing Choice Voucher staff recaptured \$15,805 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 2011 year.

With the Federal Grant awarded for the Housing Counselor position, the HUD Certified Housing Counselor was able to provide counseling to 443 clients from 10/01/10 to 9/30/11. 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,

A handwritten signature in cursive script that reads "Maria Carmen Paniagua". The signature is written in black ink and is positioned above the printed name.

Executive Director

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 DECEMBER 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

EXHIBIT A

	ENTERPRISE FUNDS				2011 TOTAL	2010 TOTAL
	LOW RENT	SECTION 8	COUNSELING GRANT	COMPONENT UNIT		
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 234,658	\$ 990,543	\$ -	\$ 52,782	\$ 1,277,983	\$ 911,319
Investments	3,502,981	164,202	-	-	3,667,183	3,251,388
Accounts Receivable, Net Allowance	10,074	3,566	-	2,114,350	2,127,990	1,905,282
Prepaid Expenses	115,934	15,665	-	-	131,599	100,886
Material Inventories	40,615	-	-	-	40,615	53,894
Total Current Assets	3,904,262	1,173,976	-	2,167,132	7,245,370	6,222,769
NON CURRENT ASSETS						
Accrued Interest Receivable	167,364	-	-	34,950	202,314	91,396
Notes Receivable	12,328,700	-	-	384,687	12,713,387	4,649,034
Investments in Partnerships	-	-	-	109,005	109,005	109,005
Land, Structures and Equipment, Net	9,748,670	31,361	-	83,301	9,863,332	11,445,651
Total Non Current Asstes	22,244,734	31,361	-	611,943	22,888,038	16,295,086
TOTAL ASSETS	\$ 26,148,996	\$ 1,205,337	\$ -	\$ 2,779,075	\$ 30,133,408	\$ 22,517,855
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 135,703	\$ 504	\$ -	\$ 553,811	\$ 690,018	\$ 1,285,023
Accrued Liabilities	28,770	-	-	-	28,770	10,942
Deferred Revenues	-	-	16,573	-	16,573	13,557
Total Current Liabilities	164,473	504	16,573	553,811	735,361	1,309,522
NON-CURRENT LIABILITIES						
Trust Deposits	-	75,464	-	-	75,464	44,108
Deferred Interest Receivable	167,364	-	-	34,950	202,314	-
Total Non-Current Liabilities	167,364	75,464	-	34,950	277,778	44,108
Total Liabilities	331,837	75,968	16,573	588,761	1,013,139	1,353,630
NET ASSETS						
Unrestricted Net Assets	16,068,489	(25,890)	(16,573)	2,107,013	18,133,039	9,202,299
Restricted Net Assets	-	1,123,898	-	-	1,123,898	516,275
Investment in Fixed Assets	9,748,670	31,361	-	83,301	9,863,332	11,445,651
Total Net Assets	25,817,159	1,129,369	(16,573)	2,190,314	29,120,269	21,164,225
TOTAL LIABILITIES AND NET ASSETS	\$ 26,148,996	\$ 1,205,337	\$ -	\$ 2,779,075	\$ 30,133,408	\$ 22,517,855

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

EXHIBIT B

	ENTERPRISE FUNDS				2011 TOTAL	2010 TOTAL
	LOW RENT	SECTION 8	COUNSELING GRANT	COMPONENT UNIT		
OPERATING REVENUES						
Tenant Rents	\$ 668,875	\$	\$	\$	\$ 668,875	\$ 884,282
HUD Operating Grants	1,397,506	5,589,211	27,834		7,014,551	6,407,292
Other Income	277,106	35,916	1,500	939,123	1,253,645	1,861,814
TOTAL OPERATING REVENUES	2,343,487	5,625,127	29,334	939,123	8,937,071	9,153,388
OPERATING EXPENSES						
Administrative Expenses	1,197,874	439,208	32,333	94,317	1,763,732	1,904,456
Tenant Services	70,123				70,123	132,696
Utilities Expenses	248,169				248,169	246,222
Ordinary Maintenance	655,941	538		795	657,274	770,992
Protective Services	137,982				137,982	3,774
General Expenses	170,303	28,520	2,509		201,332	248,050
Extra Ordinary Maintenance	9,600	9,952			19,552	9,139
Housing Assistance Payments		4,457,177			4,457,177	4,399,300
FSS Escrow - Section 8					-	
Depreciation Expense	759,521	7,680		2,095	769,296	745,484
TOTAL OPERATING EXPENSES	3,249,513	4,943,075	34,842	97,207	8,324,637	8,460,113
OPERATING INCOME (LOSS)	(906,026)	682,052	(5,508)	841,916	612,434	693,275
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	26,354	377		635	27,366	240,761
Gain on Sale of Land					-	822,092
HUD Capital Grants	9,297,845				9,297,845	6,155,721
Allocated Overhead Income	370,737				370,737	449,838
Allocated Overhead Expenses	(290,336)	(80,401)			(370,737)	(449,838)
Intefund Elimination	(6,874)	26,447	(19,573)		-	
NON-OPERATING REVENUES (EXPENSES)	9,397,726	(53,577)	(19,573)	635	9,325,211	7,218,574
CHANGE IN NET ASSETS	8,491,700	628,475	(25,081)	842,551	9,937,645	7,911,849
WRITEOFF AND CORRECTIONS OF FIXED ASSET	(1,981,601)				(1,981,601)	(3,395,336)
NET ASSETS AT BEGINNING OF PERIOD	19,307,060	500,894	8,508	1,347,763	21,164,225	16,647,712
NET ASSETS AT END OF PERIOD	\$ 25,817,159	\$ 1,129,369	\$ (16,573)	\$ 2,190,314	\$ 29,120,269	\$ 21,164,225

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENTS OF CASH FLOWS - ALL ENTERPRISE FUNDS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011, (WITH COMPARATIVE TOTALS FOR 2010)**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 8,937,071	\$ 12,860,823
Payments to Employees	(1,386,631)	(1,624,601)
Payments to Vendors and Suppliers	2,373,554	(3,630,182)
Net Cash Provided by Operating Activities	<u>9,923,994</u>	<u>7,606,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Investments	(426,423)	(243,525)
(Increase)/Decrease in Accrued Interest Receivable	110,918	(91,396)
(Increase)/Decrease in Investment in Partnership	0	(109,005)
Interest Income	27,365	240,246
Unrealized Gain (Loss) on Investments	(10,628)	
Net Cash (Used In) Provided by Investing Activities	<u>(298,768)</u>	<u>(203,680)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	9,297,845	6,155,721
Net Gain/(Loss) on Sale or Disposal of Capital Assets	(1,981,601)	(3,395,336)
Transfers from Construction in Progress		
Investment in Construction Activities	(9,297,845)	(6,155,721)
(Increase)/Decrease in Notes Receivable	(7,276,961)	(4,288,559)
Increase/(Decrease) in Notes Payable		(159,633)
Net Cash (Used In) Provided by Capital and Related Activities	<u>(9,258,562)</u>	<u>(7,843,528)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>366,664</u>	<u>(441,168)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	911,319	1,352,487
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 1,277,983</u>	<u>\$ 911,319</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Net Income	\$ 9,937,645	\$ 7,899,141
Adjustments To Reconcile		
Depreciation	769,296	745,484
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(222,708)	(392,282)
(Increase)/Decrease in Prepaid Expenses	(30,713)	6,166
(Increase)/Decrease in Material Inventories	13,280	16,143
(Increase)/Decrease in Deferred Accounts Receivable		632,003
Increase/(Decrease) in Accounts Payable	(595,005)	82,893
Increase/(Decrease) in Accrued Liabilities	17,827	(51,576)
Increase/(Decrease) in Trust Deposits	31,356	30,309
Increase/(Decrease) in Deferred Liabilities	3,016	(1,362,241)
Net Cash Provided by Operating Activities	<u>\$ 9,923,994</u>	<u>\$ 7,606,040</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

NONE

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 five 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.

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 Hammond Elderly Housing, 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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.

This and other changes are reflected in the accompanying financial statements (including notes to the financial statements.)

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 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Reclassification – Certain amounts in the prior year financial statements have been re-classified for comparative purposes to conform with 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 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, 2011, 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 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, 2011**

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 \$1,277,983 at December 31, 2011, 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, \$990,543 is restricted, as follows:

<u>Purpose</u>	<u>Amount</u>
Future HAP Payments	\$ 915,079
FSS Escrow	75,464
Total	<u>\$ 990,543</u>

Note 4 - Investments

At December 31, 2011, investments totaled \$3,667,183 which included marketable securities and money market accounts. The Housing Authority's investments in marketable securities are stated at fair value at year-end. Fair values and unrealized gain/(loss) at December 31, 2011, are summarized as follows:

<u>Description</u>	<u>Category 2</u>		<u>Unrealized Gain/(Loss)</u>
	<u>Book Value</u>	<u>Market Value</u>	
Fixed Income Bonds	\$ 2,907,196	\$ 2,907,196	\$ -
Money Market Fund	759,987	759,987	-
Total	<u>\$ 3,667,183</u>	<u>\$ 3,667,183</u>	<u>\$ -</u>

Category 2 – Investments are fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

Of the total investments, \$242,177 is restricted as follows:

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 4 - Investments (continued)

<u>Purpose</u>	<u>Amount</u>
Future HAP Payments	\$ 164,202
Tenants Security Deposits	<u>77,975</u>
	<u>\$ 242,177</u>

Note 5 - Accounts Receivable

At December 31, 2011, accounts receivable totaled \$2,127,990, and consisted of the following:

Accounts Receivable – Tenants	\$ 2,367
Accounts Receivable – Development Fee	2,114,350
Accounts Receivable – Other	<u>11,273</u>
Total	2,127,990
 Interfund	 <u>347,291</u>
Total	<u>\$ 2,475,281</u>

The Authority reviews the accounts receivable periodically. In fiscal year 2011, the Authority wrote off \$17,004 in tenant receivables, which were deemed uncollectible.

Total account receivable interfund was \$347,291 at December 31, 2011, and was offset by the accounts payable interfund.

Note 6 - Prepaid Expenses

Prepaid expenses totaled \$131,599 at December 31, 2011, and consisted of prepaid insurances.

Note 7 - Material Inventories

Material inventories totaled \$40,615 at December 31, 2011. Material inventories are stated at the lower of cost or market. Material inventories are reviewed periodically for obsolescence and are adjusted accordingly. There were no adjustments during the 2011 fiscal year.

Note 8 - Notes Receivable

Notes receivable totaled \$12,713,387, at December 31, 2011 as follows:

	<u>Note</u>	<u>Accrued Interest</u>
AHHI - Mixed Finance	\$ 11,482,700	\$ 103,112
AHHI - Money Mortgage	846,000	64,252
AHHI - Loan	250,000	3,125
Golen Manor	<u>134,687</u>	<u>31,825</u>
	<u>\$ 12,713,387</u>	<u>\$ 202,314</u>

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 called 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. The Authority had advanced AHH1 \$11,482,700, at December 2011. Accrued interest totaled \$103,112.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 8 – Notes Receivable (continued)

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 called for additional annual 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 on December 31, 2035. As of December 31, 2011, the mortgage receivable was \$846,000 with accrued interest of 64,252.

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 called 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 interest are due at maturity. The organization advanced AHH1 \$125,000, at December 2010. Accrued interest totaled \$3,125.

Homestead Enterprise Housing, Inc., the Component Unit, loaned Golden Manor, L.P. an amount not to exceed \$434,687, in December 2026. Interest is computed at 4.9 percent per annum. All accrued an unpaid interest will be due at maturity. The note matures in December 2026. Golden Manor repaid \$300,000, leaving a balance outstanding at December 2011 of \$134,687. Accrued interest on the loan totaled \$31,825.

Note 9 – Investment in Partnership

Investment in Partnership totaled \$109,005 at December 31, 2011, and consisted of the Component Unit's contribution of equity into the mixed income partnership.

Note 10 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended December 31, 2011, were as follows:

	December 31, 2010	Additions, Transfers and Dispositions	December 31, 2010
Enterprise Fund			
Low-Rent Housing			
Land and Structures	\$ 17,493,574	\$ (1,681,288)	\$ 15,812,286
Office Furniture and Equipment	983,746	19,679	1,003,425
Construction in Progress	4,306,196	(1,148,507)	3,157,689
(Less) Accumulated Depreciation	<u>(11,376,427)</u>	<u>1,151,695</u>	<u>(10,224,732)</u>
Total Low Rent	11,407,089	(1,658,421)	9,748,670
Housing Choice Voucher Program			
Land and Structures	80,000		80,000
Office Furniture and Equipment	138,849		138,849
(Less) Accumulated Depreciation	<u>(180,287)</u>	<u>(7,200)</u>	<u>(187,487)</u>
Total Housing Choice Voucher	38,562	(7,200)	31,361
Component Unit			
Land and Structures		64,447	64,447
Office Furniture and Equipment		20,949	20,949
(Less) Accumulated Depreciation		<u>(2,095)</u>	<u>(2,095)</u>
Total Component Unit	-	83,301	83,301
Total Fixed Assets	<u>\$ 11,445,651</u>	<u>\$ (1,582,320)</u>	<u>\$ 9,863,332</u>

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 10 - Land, Structures and Equipment (continued)

Changes in land, structures and equipment during the audit period consisted of total capital improvement costs incurred, equipment purchased and depreciation expense. 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 2011 totaled \$769,297. The Authority wrote off \$2,546,445 in capital assets resulting from the sale or demolition of units, and also wrote off \$564,844 in accumulated depreciation.

Note 11 - Accounts Payable

Accounts payable totaled \$690,018 at December 31, 2011, which consisted of the following:

Accounts Payable - Vendors	\$	599,543
Tenants Security Deposits		77,974
Accounts Payable - PILOT		12,501
		<u>690,018</u>
Interfund		347,291
Total	\$	<u><u>1,037,309</u></u>

Total accounts payable interfund was \$347,291 at December 31, 2011, and was offset by the accounts receivable interfund.

Note 12 - Accrued Liabilities

Accrued liabilities totaled \$28,770 at December 31, 2011, and represented amounts due for accrued payroll taxes.

Note 13 - Deferred Revenue

Deferred revenue at December 31, 2011, totaled \$16,573, and consisted of receipts in excess of expenditures for the Housing Counseling Grant.

Note 14 - Trust Deposits

Trust deposits at December 31, 2011, totaled \$75,464, and consisted of amounts due under the family self-sufficiency program.

Note 15 - Deferred Interest Receivable

Deferred interest receivable at December 31, 2011 totaled \$202,314, and consists of income due from various notes receivable. 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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 16 - Employee Benefit Plans (continued)

Retirement Plan expense for the year ended December 31, 2011, totaled \$140,294. The minimum required contribution was 9 percent. The Authority made all the required contributions to the Plan. Plan assets at December 31, 2011, totaled \$1,862,756. The Authority's total payroll expense was \$1,328,326 for the year ended December 31, 2011.

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.

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 Assistance programs.

Note 19 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2011. Management has performed their analysis through June 8, 2012, the date the financial statements were issued. The Authority has not evaluated events occurring after June 8, 2012 in these financial statements.

Note 20 - Prior Period Adjustment

The Prior Period Adjustment totaling (\$1,981,601) resulted from the demolition of units to build new mixed income units.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

EXHIBIT D

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs - U S Department of Housing and Urban Development				
<u>Direct Program</u>				
Low Rent Housing Program				
Low Rent Housing Programs	C - 918	14.850	\$ 1,397,505	\$ 3,216,200
Competitive Capital Funds Stimulus Grant		14.884	7,196,174	7,196,174
Capital Fund Program	C - 918	14.872	<u>2,101,672</u>	<u>2,101,672</u>
Total Low Rent Housing Programs			10,695,351	12,514,046
Housing Assistance Payment Programs				
Housing Choice Voucher Program	C - 2027	14.871	<u>5,589,211</u>	<u>5,023,477</u>
Total Housing Assistance Program Payments			5,589,211	5,023,477
Total U S Department of Housing and Urban Development (Major Programs)			16,284,562	17,537,523
Non-Major Programs - U S Department of Housing and Urban Development				
Housing Counseling Assistance Program	C - 918	14.169	<u>27,834</u>	<u>34,842</u>
Total U S Department of Housing and Urban Development (Non-Major Programs)			27,834	34,842
Total			<u>\$ 16,312,396</u>	<u>\$ 17,572,365</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 Hammond, Indiana 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 the programs of the federal government during the year ended December 31, 2011. 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, 2011, 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 departments of the federal government, as well as federal funds passed-through to the Authority by primary 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 did not receive any non-cash assistance from federal funds as of June 30, 2011.

At June 30, 2011, the Authority had loans receivable of \$11,482,700, which consisted of capital funds loaned to developers for construction of mixed income homes.

Housing Authority of the City of Hammond (IN010)
HAMMOND, IN

Entity Wide Balance Sheet Summary

EXHIBIT E

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.169 Housing Counseling Assistance Program	14.871 Housing Choice Vouchers	Component Units	14.884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
111. Cash - Unrestricted				\$52,782		\$234,658	\$287,440		\$287,440
112. Cash - Restricted - Modernization and Development									
113. Cash - Other Restricted			\$915,079				\$915,079		\$915,079
114. Cash - Tenant Security Deposits			\$75,464				\$75,464		\$75,464
115. Cash - Restricted for Payment of Current Liabilities			\$990,543				\$1,277,983		\$1,277,983
100. Total Cash	\$0	\$0	\$990,543	\$52,782	\$0	\$234,658	\$1,277,983	\$0	\$1,277,983
121. Accounts Receivable - PHA Projects			\$3,566				\$3,566		\$3,566
122. Accounts Receivable - HUD Other Projects									
124. Accounts Receivable - Other Government	\$330			\$2,114,350		\$7,357	\$2,122,037		\$2,122,037
125. Accounts Receivable - Miscellaneous	\$2,420			\$0			\$2,420		\$2,420
126. Accounts Receivable - Tenants			\$0			\$0			
126.1. Allowance for Doubtful Accounts - Tenants			\$0			\$0			
126.2. Allowance for Doubtful Accounts - Other			\$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	\$2,717	\$0	\$3,566	\$2,114,350	\$0	\$7,357	\$2,127,990	\$0	\$2,127,990
131. Investments - Unrestricted	\$3,208,057					\$216,949	\$3,425,006		\$3,425,006
132. Investments - Restricted	\$77,975		\$164,202				\$242,177		\$242,177
133. Investments - Restricted for Payment of Current Liability									
142. Prepaid Expenses and Other Assets	\$85,837		\$15,665			\$30,087	\$131,599		\$131,599
143. Inventories	\$40,615						\$40,615		\$40,615
143.1. Allowance for Obsolete Inventories	\$0						\$0		\$0
144. Inter Program Due From	\$327,718	\$19,573					\$347,291	-\$347,291	\$0
145. Assets Held for Sale									
150. Total Current Assets	\$3,742,919	\$19,573	\$1,173,976	\$2,167,132	\$0	\$489,061	\$7,592,661	-\$347,291	\$7,245,370
161. Land	\$294,336		\$175,548			\$80,072	\$549,956		\$549,956
162. Buildings	\$1,348,678			\$64,447		\$186,948	\$1,600,073		\$1,600,073
163. Furniture, Equipment & Machinery - Dwellings									
164. Furniture, Equipment & Machinery - Administration	\$865,883		\$43,301	\$20,949		\$246,632	\$1,176,770		\$1,176,770
165. Leasehold Improvements	\$13,771,810					\$34,980	\$13,806,790		\$13,806,790

Housing Authority of the City of Hammond (IN010)
HAMMOND, IN
Entity Wide Balance Sheet Summary

EXHIBIT E

Fiscal Year End: 12/31/2011

Submission Type: Audited/A-133

	Project Total	14,169 Housing Counseling Assistance Program	14,871 Housing Choice Vouchers	6 Component Units	14,884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
166 Accumulated Depreciation	-\$10,061,196		-\$187,487	-\$2,095		-\$163,622	-\$10,414,400		-\$10,414,400
167 Construction in Progress	\$3,144,143						\$3,144,143		\$3,144,143
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,383,659	\$0	\$31,362	\$83,301	\$0	\$385,010	\$9,863,332	\$0	\$9,863,332
171 Notes, Loans and Mortgages Receivable - Non-Current	\$12,328,700			\$384,687		\$0	\$12,713,387		\$12,713,387
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets	\$167,364			\$34,950			\$202,314		\$202,314
176 Investments in Joint Ventures				\$109,005			\$109,005		\$109,005
180 Total Non-Current Assets	\$21,859,723	\$0	\$31,362	\$611,943	\$0	\$385,010	\$22,888,038	\$0	\$22,888,038
190 Total Assets	\$25,692,642	\$19,573	\$1,205,338	\$2,779,075	\$0	\$874,071	\$30,480,699	-\$347,291	\$30,133,408
311 Bank Overdraft									
312 Accounts Payable <= 90 Days									
313 Accounts Payable >90 Days Part Due	\$32,241		\$304	\$533,811		\$12,987	\$599,543		\$599,543
321 Accrued Wage/Payroll Taxes Payable						\$28,770	\$28,770		\$28,770
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	\$77,974						\$77,974		\$77,974
342 Deferred Revenues		\$16,573					\$16,573		\$16,573
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds									
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$12,501						\$12,501		\$12,501
346 Accrued Liabilities - Other									
347 Inter Program - Due To	\$12,425		\$26,449			\$308,417	\$347,291	-\$347,291	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$135,141	\$16,573	\$26,953	\$553,811	\$0	\$350,174	\$1,082,652	-\$347,291	\$735,361
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									

Housing Authority of the City of Hammond (IN010)
HAMMOND, IN

Entity Wide Balance Sheet Summary

EXHIBIT E

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.169 Housing Counseling Assistance Program	14.871 Housing Choice Vouchers	6 Component Units	14.884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$167,364		\$75,464	\$34,950			\$277,778		\$277,778
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	\$167,364	\$0	\$75,464	\$34,950	\$0	\$0	\$277,778	\$0	\$277,778
300 Total Liabilities	\$302,505	\$16,573	\$102,417	\$588,761	\$0	\$350,174	\$1,360,430	-\$347,291	\$1,013,139
508.1 Invested In Capital Assets, Net of Related Debt	\$9,363,659		\$31,362	\$83,301		\$385,010	\$9,863,332		\$9,863,332
509.2 Fund Balance Reserved									
311.2 Unreserved, Designated Fund Balance	\$0		\$1,123,898		\$0		\$1,123,898		\$1,123,898
311.1 Restricted Net Assets	\$15,956,478	\$3,000	-\$52,339	\$2,107,013	\$0	\$138,887	\$18,133,059		\$18,133,059
312.1 Unrestricted Net Assets									
312.2 Unreserved, Undesignated Fund Balance	\$25,300,137	\$3,000	\$1,102,921	\$2,190,314	\$0	\$523,897	\$29,120,269	\$0	\$29,120,269
313 Total Equity/Net Assets	\$25,602,642	\$19,573	\$1,205,338	\$2,779,075	\$0	\$874,071	\$30,480,699	-\$347,291	\$30,133,408
600 Total Liabilities and Equity/Net Assets									

Housing Authority of the City of Hammond (IN010)
HAMMOND, IN

Entity Wide Revenue and Expense Summary

EXHIBIT E

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.169 Housing Counseling Assistance Program	14.871 Housing Choice Vouchers	6 Component Units	14.884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70500 Net Tenant Rental Revenue	\$661,498						\$661,498		\$661,498
70400 Tenant Revenue - Other	\$7,377						\$7,377		\$7,377
70500 Total Tenant Revenue	\$668,875	\$0	\$0	\$0	\$0	\$0	\$668,875	\$0	\$668,875
70600 HUD PHA Operating Grants	\$1,688,428	\$27,834	\$5,589,211		\$16,362		\$7,321,835		\$7,321,835
70610 Capital Grants	\$1,810,749				\$7,179,812		\$8,990,561		\$8,990,561
70710 Management Fee						\$370,737	\$370,737	-\$370,737	\$0
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$370,737	\$370,737	-\$370,737	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$24,337		\$377	\$635		\$0	\$25,349		\$25,349
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery			\$15,805				\$15,805		\$15,805
71500 Other Revenue	\$24,980	\$1,500	\$20,111	\$939,123		\$252,126	\$1,237,840		\$1,237,840
71600 Gain or Loss on Sale of Capital Assets	\$0		\$0	\$0		\$2,016	\$2,016		\$2,016
72000 Investment Income - Restricted	\$4,217,369	\$29,334	\$5,625,504	\$939,758	\$7,196,174	\$694,879	\$18,633,018	-\$370,737	\$18,262,281
91100 Administrative Salaries	\$260,071	\$29,943	\$268,883			\$369,092	\$927,989		\$927,989
91200 Auditing Fees	\$19,999		\$7,500	\$15,000		\$7,500	\$49,999		\$49,999
91300 Management Fee	\$290,336		\$80,401				\$370,737	-\$370,737	\$0
91310 Book-keeping Fee									
91400 Advertising and Marketing									
91500 Employee Benefit contributions - Administrative	\$151,557	\$2,241	\$118,585			\$147,829	\$420,210		\$420,210
91600 Office Expenses	\$21,051		\$67,538			\$13,019	\$101,608		\$101,608
91700 Legal Expense	\$2,303		\$2,863	\$1,942		\$2,061	\$9,169		\$9,169
91800 Travel	\$17,829		\$1,669			\$8,211	\$27,709		\$27,709
91810 Allocated Overhead									
91900 Other	\$144,762	\$149	\$39,710	\$9,837	\$16,362	\$16,228	\$227,048		\$227,048

**Housing Authority of the City of Hammond (IN010)
HAMMOND, IN**

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2011 **EXHIBIT E**

	Project Total	14.169 Housing Counseling Assistance Program	14.871 Housing Choice Vouchers	6 Component Units	14.884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
91000 Total Operating - Administrative	\$907,908	\$32,333	\$519,609	\$94,317	\$16,362	\$563,940	\$2,134,469	-\$370,737	\$1,763,732
92000 Asset Management Fee									
92100 Tenant Services - Salaries	\$45,973						\$45,973		\$45,973
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services	\$23,604						\$23,604		\$23,604
92400 Tenant Services - Other	\$546						\$546		\$546
92500 Total Tenant Services	\$70,123	\$0	\$0	\$0	\$0	\$0	\$70,123	\$0	\$70,123
93100 Water	\$36,523					\$511	\$37,034		\$37,034
93200 Electricity	\$144,318					\$9,351	\$153,669		\$153,669
93300 Gas	\$53,681					\$3,785	\$57,466		\$57,466
93400 Fuel									
93500 Labor									
93600 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93900 Total Utilities	\$234,522	\$0	\$0	\$0	\$0	\$13,647	\$248,169	\$0	\$248,169
94100 Ordinary Maintenance and Operations - Labor	\$249,240					\$28,804	\$278,044		\$278,044
94200 Ordinary Maintenance and Operations - Materials and Other	\$39,679			\$795		\$799	\$41,273		\$41,273
94300 Ordinary Maintenance and Operations Contracts	\$177,853		\$538			\$14,942	\$193,333		\$193,333
94500 Employee Benefit Contributions - Ordinary Maintenance	\$131,390					\$13,234	\$144,624		\$144,624
94900 Total Maintenance	\$598,162	\$0	\$538	\$795	\$0	\$57,779	\$657,274	\$0	\$657,274
95100 Protective Services - Labor	\$83,471					\$23,713	\$107,184		\$107,184
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other	\$427					\$19,476	\$19,903		\$19,903
95500 Employee Benefit Contributions - Protective Services						\$10,895	\$10,895		\$10,895
95900 Total Protective Services	\$83,898	\$0	\$0	\$0	\$0	\$54,084	\$137,982	\$0	\$137,982
96110 Property Insurance	\$92,409					\$8,380	\$100,789		\$100,789
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance			\$14,869				\$14,869		\$14,869

Housing Authority of the City of Hammond (IN010)
HAMMOND, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2011 EXHIBIT E

	Project Total	14,169 Housing Counseling Assistance Program	14,871 Housing Choice Vouchers	6 Component Units	14,884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
96100 Total Insurance Premiums	\$92,409	\$0	\$14,869	\$0	\$0	\$8,380	\$115,658	\$0	\$115,658
96200 Other General Expenses	\$28,424	\$2,509	\$13,652			\$11,583	\$56,168		\$56,168
96210 Compensated Absences	\$12,501						\$12,501		\$12,501
96300 Payments in Lieu of Taxes	\$17,004						\$17,004		\$17,004
96400 Bad debt - Tenant Rents									
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96900 Total Other General Expenses	\$57,929	\$2,509	\$13,652	\$0	\$0	\$11,583	\$85,673	\$0	\$85,673
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$2,044,951	\$34,842	\$548,668	\$95,112	\$16,362	\$709,413	\$3,449,348	-\$370,737	\$3,078,611
97000 Excess of Operating Revenue over Operating Expenses	\$2,172,418	-\$5,508	\$5,076,836	\$844,646	\$7,179,812	-\$84,534	\$15,183,670	\$0	\$15,183,670
97100 Extraordinary Maintenance	\$9,600		\$9,952				\$19,552		\$19,552
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments			\$4,457,177				\$4,457,177		\$4,457,177
97350 HAP Portability-In									
97400 Depreciation Expense	\$673,110		\$7,680	\$2,095		\$86,411	\$769,296		\$769,296
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
98000 Total Expenses	\$2,727,661	\$34,842	\$5,023,477	\$97,207	\$16,362	\$795,824	\$8,695,373	-\$370,737	\$8,324,636
10010 Operating Transfer In									
10020 Operating transfer Out									
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									

**Housing Authority of the City of Hammond (IN010)
HAMMOND, IN**

Entity Wide Revenue and Expense Summary

EXHIBIT E

Fiscal Year End: 12/31/2011

Submission Type: Audited/A-133

	Project Total	14.169 Housing Counseling Assistance Program	14.871 Housing Choice Vouchers	6 Component Units	14.884 Competitive Capital Fund Stimulus Grant	COCC	Subtotal	ELDM	Total
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	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,489,708	-\$5,508	\$602,027	\$842,551	\$7,179,812	-\$170,945	\$9,937,645	\$0	\$9,937,645
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$14,834,199	\$8,508	\$500,894	\$1,347,763	\$0	\$4,472,861	\$21,164,225	\$0	\$21,164,225
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$8,976,230		\$0		-\$7,179,812	-\$3,778,019	-\$1,981,601		-\$1,981,601
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			-\$20,977				-\$20,977		-\$20,977
11180 Housing Assistance Payments Equity			\$1,123,898				\$1,123,898		\$1,123,898
11190 Unit Months Available	3904		9012	0		0	12916		12916
11210 Number of Unit Months Leased	3808		8000	0		0	11808		11808
11270 Excess Cash	\$3,257,183						\$3,257,183		\$3,257,183
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$0					\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$1,975,541					\$0	\$1,975,541		\$1,975,541
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES – HOUSING COUNSELING GRANT
 FOR THE YEAR ENDED DECEMBER 31, 2011 (WITH COMPARATIVE TOTALS FOR 2010)**

EXHIBIT F

	2011	2010
REVENUES		
HUD Program Grants	\$ 27,834	\$ 34,943
Other	1,500	3,000
TOTAL REVENUES	<u>29,334</u>	<u>37,943</u>
EXPENSES		
Administrative	32,333	32,436
Tenant Services		
General Expense	2,509	2,507
TOTAL EXPENSES	<u>34,842</u>	<u>34,943</u>
CHANGE IN NET ASSETS	(5,508)	3,000
NET ASSETS AT DECEMBER 31, 2010	8,508	5,508
NET ASSETS AT DECEMBER 31, 2011	<u>\$ 3,000</u>	<u>\$ 8,508</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF ACTIVITIES – BUDGET AND ACTUAL
HOUSING COUNSELING GRANT
FOR THE YEAR ENDED DECEMBER 31, 2011**

EXHIBIT G

	BUDGET	ACTUAL	VARIANCE
REVENUES			
HUD Program Grants	\$ 27,834	\$ 27,834	\$ 0
Other Income	1,500	1,500	0
TOTAL REVENUES	<u>29,334</u>	<u>29,334</u>	<u>0</u>
EXPENSES			
Administrative	32,333	32,333	0
General Expense	2,509	2,509	0
TOTAL EXPENSES	<u>34,842</u>	<u>34,842</u>	<u>0</u>
CHANGE IN NET ASSETS	(5,508)	(5,508)	0
NET ASSETS AT DECEMBER 31, 2010	8,508	8,508	0
NET ASSETS AT DECEMBER 31, 2011	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 0</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CAPITAL FUND COSTS - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2011**

**ANNUAL CONTRIBUTION CONTRACT C - 918
PHASES IN36PO10 - 209, 210, AND 211**

EXHIBIT H

	209	210	211	Total
Funds Approved	\$ 982,144	\$ 975,015	\$ 612,832	\$ 2,569,991
Funds Expended	<u>967,942</u>	<u>899,687</u>	<u>509,527</u>	<u>2,377,156</u>
Excess(Deficit) of Funds Approved	<u>\$ 14,202</u>	<u>\$ 75,328</u>	<u>\$ 103,305</u>	<u>\$ 192,835</u>
Funds Advanced	\$ 967,873	\$ 899,687	\$ 509,527	\$ 2,377,087
Funds Expended	<u>967,942</u>	<u>899,687</u>	<u>509,527</u>	<u>2,377,156</u>
Excess(Deficit) of Funds Advanced	<u>\$ (69)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69)</u>

- 1 Capital Fund Program costs for Phases IN 36 - 209, IN 36 - 210, and IN 36 - 211 are shown above.
- 2 Cost additions during the audit period were as follows; IN 36 - 209, \$611,182, IN 36 - 210, \$884,327, and IN 36 - 211, \$509,527, and, accordingly, were audited by Velma Butler & Company, Ltd.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CPAITAL FUND COSTS - UNCOMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2011**

**ANNUAL CONTRIBUTION CONTRACT C - 918
 PHASES IN36PO10 - 297, 298, AND 299
 Capital Fund Recovery Grant and Capital fund Recovery Competitive Grant**

EXHIBIT H

	209E CFRC	109T CFRC	Total	501-9 CFRG
Funds Approved	\$ 572,000	\$ 10,000,000	\$ 10,572,000	\$ 1,613,194
Funds Expended	<u>476,984</u>	<u>10,000,000</u>	<u>10,476,984</u>	<u>1,613,194</u>
Excess(Deficit) of Funds Approved	\$ <u>95,016</u>	\$ <u>-</u>	\$ <u>95,016</u>	\$ <u>-</u>
Funds Advanced	\$ 476,984	\$ 10,000,000	\$ 10,476,984	\$ 1,613,194
Funds Expended	<u>476,984</u>	<u>10,000,000</u>	<u>10,476,984</u>	<u>1,613,194</u>
Excess(Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

- 1 Capital Fund Program costs for Phases IN 01 - 209E, IN 01 - 109T, and IN 36 - 109, are shown above.
- 2 Cost additions during the audit period were as follows; IN 01 - 209E, \$180,809, IN 01 - 109T, \$7,015,020, and IN 36 - 109, \$0, and, accordingly, were audited Velma Butler & Company, Ltd.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF CAPITAL FUND COSTS - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2011**

ANNUAL CONTRIBUTION CONTRACT C PHASES IN36P010501-06

EXHIBIT I

1) The actual program cost of the Capital Fund Grant are as follows:

	501-06
Funds Approved	\$ 1,242,721
Funds Expended	<u>1,242,721</u>
Excess\(\Deficit) of Funds Approved	\$ <u><u>-</u></u>
Funds Advanced	\$ 1,242,721
Funds Expended	<u>1,242,721</u>
Excess\(\Deficit) of Funds Advanced	\$ <u><u>-</u></u>

2) The distribution of costs for Phase IN36P010501-06 is shown above.

3) All Capital Fund Grant Program costs have been paid and all related liabilities have been discharged through payment.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - COMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2011**

ANNUAL CONTRIBUTION CONTRACT C PHASES IN36P010501-07

EXHIBIT I

1) The actual program cost of the Capital Fund Grant are as follows:

	<u>501-07</u>
Funds Approved	\$ 1,207,475
Funds Expended	<u>1,207,475</u>
Excess/(Deficit) of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 1,207,475
Funds Expended	<u>1,207,475</u>
Excess/(Deficit) of Funds Advanced	<u>\$ -</u>

2) The distribution of costs for Phase IN36P010501-07 is shown above.

3) All Capital Fund Grant Program costs have been paid and all related liabilities have been discharged through payment.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - COMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2011**

ANNUAL CONTRIBUTION CONTRACT C PHASES IN36P010501-08

EXHIBIT I

1) The actual program cost of the Capital Fund Grant are as follows:

	<u>501-08</u>
Funds Approved	\$ 1,171,599
Funds Expended	<u>1,171,599</u>
Excess\Deficit) of Funds Approved	\$ <u><u>-</u></u>
Funds Advanced	\$ 1,171,599
Funds Expended	<u>1,171,599</u>
Excess\Deficit) of Funds Advanced	\$ <u><u>-</u></u>

2) The distribution of costs for Phase IN36P010501-08 is shown above.

3) All Capital Fund Grant Program costs have been paid and all related liabilities have been discharged through payment.



**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**

Board of Commissioners
Housing Authority of the City 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 the financial statements of the business-type activities, of the Housing Authority of the City of Hammond, Indiana (the Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

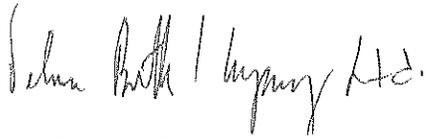
A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Velma Butler / Company Ltd.", written in dark ink.

Velma Butler & Company, Ltd.
Chicago, Illinois

June 8, 2012



**Report on Compliance with Requirements That Could Have a Direct
And Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City 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

Compliance

We have audited the Housing Authority of the City of Hammond, Indiana (the Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not design to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Velma Butler & Company, Ltd.", written in dark ink.

Velma Butler & Company, Ltd.
Chicago, Illinois

June 8, 2012

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section II – Financial Statement Findings

There were no reportable findings for the fiscal year ended December 31, 2011.

Section III – Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended December 31, 2011.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section IV - Summary of Prior Year Audit Findings

There were no reportable findings for the fiscal year ended December 31, 2010.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2011**

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.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
PUBLIC HOUSING ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2011**

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.