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November 4, 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, 2012 to December 31, 2012. 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, 2012 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, 2012,
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

INDEPENDENT AUDITORS' 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

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, 2012, 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, 2012, 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 3 and 4 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.

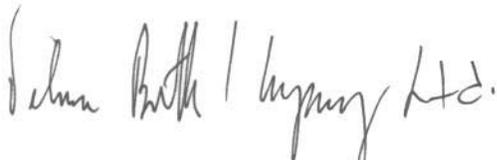
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 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.



Velma Butler & Company, Ltd.
Chicago, Illinois

September 17, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

**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, 2012.

We are pleased to submit the financial statements of the Housing Authority of the City of Hammond, Indiana for the year ended December 31, 2012. 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, 2012, totaled \$30 million and represent an increase of \$914 thousand from December 31, 2011.
- Revenue decreased by \$8.1 million for fiscal year 2012. The decrease is primarily due to a decrease in HUD Capital Grants.
- Operating expenses, excluding depreciation, increased by \$395 thousand to \$7.95 million or by 5.2% from \$7.56 million at December 31, 2011.
- Net fixed assets were \$8.5 million at December 31, 2012, representing a decrease of \$1.3 million from the December 31, 2011, balance of \$9.8 million. The decrease was mainly due to the transfer of construction in progress costs to long term notes receivable.
- Total liabilities increased by \$191 thousand to \$1.2 million at December 31, 2012.

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, 2012 increased by \$1.1 million or 3.7% to approximately \$31.2 million. Total liabilities increased by \$191 thousand or 18.9% to \$1.2 million.

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

	2012	2011	Difference	Per cent Change
Current Assets	\$ 6,069	\$ 9,356	\$ (3,287)	-35.1%
Non-current Assets	16,626	10,914	5,712	52.3%
Fixed Assets	8,543	9,863	(1,320)	-13.4%
Total Assets	\$ 31,238	\$ 30,133	\$ 1,105	3.7%
Current Liabilities	\$ 584	\$ 735	\$ (151)	-20.5%
Non-current Liabilities	620	278	342	123.0%
Total Liabilities	1,204	1,013	191	18.9%
Invested in Capital Assets, Net	8,543	9,863	(1,320)	-13.4%
Restricted	186	1,124	(938)	-83.5%
Unrestricted	21,305	18,133	3,172	17.5%
Total Net Assets	30,034	29,120	914	3.1%
Total Liabilities and Net Assets	\$ 31,238	\$ 30,133	\$ 1,105	3.7%

Current assets decreased by 35.1%, or approximately \$3.3 million, primarily due to decreases in investments and accounts receivable. Non-current assets increased by \$5.7 million or 52.3% from \$10.9 million to \$16.6 million primarily because of an increase in notes receivable, as shown above.

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, 2012, was an increase of approximately \$914 thousand. 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 \$1.3 million from \$9.8 million to \$8.5 million.

	December 31, 2011	Additions and Transfers in	December 31, 2012
Land and Structures	\$ 15,913,321	\$ 6,465	\$ 15,919,786
Office Furniture and Equipment	1,142,274		1,142,274
Construction in Progress	3,222,137	(619,883)	2,602,254
Less Accumulated Depreciation	(10,414,400)	(707,167)	(11,121,567)
Total Fixed Assets	<u>\$ 9,863,332</u>	<u>\$ (1,320,585)</u>	<u>\$ 8,542,747</u>

Construction costs during the year totaled \$398,393, and construction in progress (CIP) at year-end was \$2,602,254. The decrease in CIP was primarily due to the transfer of costs previously charged to construction in progress to long term notes receivable.

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 \$8.1 million or 44.2%.

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

	2012	2011	Difference	Percent Change
Operating Revenues	\$ 8,982	\$ 8,937	\$ 45	0.5%
Non-Operating Revenues	1,210	9,325	(8,115)	-87.0%
Total Revenues	10,192	18,262	(8,070)	-44.2%
Operating Expenses	7,951	7,556	395	5.2%
Depreciation	707	769	(62)	-8.1%
Total Expenses	8,658	8,325	333	4.0%
Change in Net Assets	1,534	9,937	(8,403)	-84.6%
Corrections and Adjustments	(620)	(1,981)	1,361	
Total Net Assets, Beginning	29,120	21,164	7,956	37.6%
Net Assets at End of Period	<u>\$ 30,034</u>	<u>\$ 29,120</u>	<u>\$ 914</u>	3.1%

Expenses

As shown in Table 3, the Authority's total expenses increased by \$334 thousand or 4% to approximately \$8.7 million in 2012.

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

	2012	2011	Difference	Percent Change
Administrative Expenses	\$ 1,125	\$ 1,764	\$ (639)	-36.2%
Tenant Services	49	70	(21)	-30.0%
Utilities Expenses	230	248	(18)	-7.3%
Ordinary Maintenance	625	657	(32)	-4.9%
Protective Services	128	138	(10)	-7.2%
General Expenses	275	201	74	36.8%
Extra Ordinary Maintenance	7	20	(13)	-65.0%
Housing Assistance Payments	5,512	4,457	1,055	23.7%
Depreciation Expense	707	769	(62)	-8.1%
Total Operating Expenses	<u>\$ 8,658</u>	<u>\$ 8,324</u>	<u>\$ 334</u>	4.0%

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 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 HEH, the equity investor Richman was finalized and closed on June 30, 2010. The General Contractor awarded the contract was CRG Residential. Immediately following the signing of the closing documents, the construction fencing was put up and the complete gut rehab of the existing units began. 11 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 2012 is then the following. This Housing Authority of the City of Hammond successfully put together its second Mixed Income Development since 2011. 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 Internal Revenue Code (I.R.C.) 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.C. 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 third 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 93 was released for the 2012 year. The Housing Choice Voucher staff recaptured \$15,444 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 2012 year.

With the Federal Grant awarded for the Housing Counselor position, the HUD Certified Housing Counselor was able to provide counseling to 34 clients from 1/1/12 to 12/31/12. 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,



Executive Director

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 DECEMBER 31, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

EXHIBIT A

	ENTERPRISE FUNDS				2012 TOTAL	2011 TOTAL
	LOW RENT	SECTION 8	COUNSELING GRANT	COMPONENT UNIT		
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 31,213	\$ 266,010	\$ 13,401	\$ 223,925	\$ 534,549	\$ 1,277,983
Investments	2,699,832				2,699,832	3,667,183
Accounts Receivable, Net Allowance	96,558	26,820		8,735	132,113	2,127,990
Developer Fees Receivable				2,563,482	2,563,482	2,110,726
Prepaid Expenses	79,253	12,339			91,592	131,599
Material Inventories	47,339				47,339	40,615
Total Current Assets	<u>2,954,195</u>	<u>305,169</u>	<u>13,401</u>	<u>2,796,142</u>	<u>6,068,907</u>	<u>9,356,096</u>
NON CURRENT ASSETS						
Accrued Interest Receivable	496,075			41,567	537,642	202,314
Notes Receivable	15,659,941			384,687	16,044,628	10,602,661
Investment in Partnerships				44,427	44,427	109,005
Land, Structures and Equipment, Net	8,503,921	24,162		14,664	8,542,747	9,863,332
Total Non Current Asstes	<u>24,659,937</u>	<u>24,162</u>	<u>-</u>	<u>485,345</u>	<u>25,169,444</u>	<u>20,777,312</u>
TOTAL ASSETS	<u>\$ 27,614,132</u>	<u>\$ 329,331</u>	<u>\$ 13,401</u>	<u>\$ 3,281,487</u>	<u>\$ 31,238,351</u>	<u>\$ 30,133,408</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 94,519	\$	\$	\$ 810	\$ 95,329	\$ 690,018
Accrued Liabilities	23,221				23,221	28,770
Deferred Revenues			13,401	452,046	465,447	16,573
Total Current Liabilities	<u>117,740</u>	<u>-</u>	<u>13,401</u>	<u>452,856</u>	<u>583,997</u>	<u>735,361</u>
NON-CURRENT LIABILITIES						
Trust Deposits - Non-Current Portion		82,411			82,411	75,464
Deferred Interest Receivable	496,075			41,567	537,642	202,314
Total Non-Current Liabilities	<u>496,075</u>	<u>82,411</u>	<u>-</u>	<u>41,567</u>	<u>620,053</u>	<u>277,778</u>
Total Liabilities	613,815	82,411	13,401	494,423	1,204,050	1,013,139
NET ASSETS						
Unrestricted Net Assets	18,496,396	36,214	-	2,772,400	21,305,010	18,133,039
Restricted Net Assets		186,544			186,544	1,123,898
Investment in Fixed Assets	8,503,921	24,162	-	14,664	8,542,747	9,863,332
Total Net Assets	<u>27,000,317</u>	<u>246,920</u>	<u>-</u>	<u>2,787,064</u>	<u>30,034,301</u>	<u>29,120,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,614,132</u>	<u>\$ 329,331</u>	<u>\$ 13,401</u>	<u>\$ 3,281,487</u>	<u>\$ 31,238,351</u>	<u>\$ 30,133,408</u>

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, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

EXHIBIT B

	ENTERPRISE FUNDS				2012 TOTAL	2011 TOTAL
	LOW RENT	SECTION 8	COUNSELING GRANT	COMPONENT UNIT		
OPERATING REVENUES						
Tenant Rents	\$ 556,088	\$	\$	\$	\$ 556,088	\$ 668,875
HUD Operating Grants	149,533	5,144,282	19,055		5,312,870	7,014,551
Other Income	2,429,773	47,818	1,000	635,025	3,113,616	1,253,645
TOTAL OPERATING REVENUES	3,135,394	5,192,100	20,055	635,025	8,982,574	8,937,071
OPERATING EXPENSES						
Administrative Expenses	667,521	405,121	18,340	32,741	1,123,723	1,763,732
Tenant Services	49,160				49,160	70,123
Utilities Expenses	227,019	2,525			229,544	248,169
Ordinary Maintenance	624,010	1,439			625,449	657,274
Protective Services	127,446	179			127,625	137,982
General Expenses	231,219	38,661	4,715	1,495	276,090	201,331
Extra Ordinary Maintenance	6,735	314			7,049	19,552
Housing Assistance Payments		5,512,318			5,512,318	4,457,177
Depreciation Expense	695,777	7,200		4,190	707,167	769,296
TOTAL OPERATING EXPENSES	2,628,887	5,967,757	23,055	38,426	8,658,125	8,324,636
OPERATING INCOME (LOSS)	506,507	(775,657)	(3,000)	596,599	324,449	612,435
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	20,328	56		151	20,535	27,365
HUD Capital Grants	1,189,070				1,189,070	9,297,845
Interfund/Management Fee Income	504,109				504,109	370,737
Interfund/Management Fee Expenses	(423,709)	(80,400)			(504,109)	(370,737)
NON-OPERATING REVENUES (EXPENSES)	1,289,798	(80,344)	-	151	1,209,605	9,325,210
CHANGE IN NET ASSETS	1,796,305	(856,001)	(3,000)	596,750	1,534,054	9,937,645
TRANSFER OF CONSTRUCTION COST TO LONG-TERM NOTES RECEIVABLE	(620,022)				(620,022)	(1,981,601)
NET ASSETS AT BEGINNING OF PERIOD	25,824,034	1,102,921	3,000	2,190,314	29,120,269	21,164,225
NET ASSETS AT END OF PERIOD	\$ 27,000,317	\$ 246,920	\$ -	\$ 2,787,064	30,034,301	\$ 29,120,269

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, 2012, (WITH COMPARATIVE TOTALS FOR 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 8,979,402	\$ 8,937,071
Payments to Employees	(1,125,218)	(1,386,631)
Payments to Vendors and Suppliers	(3,728,251)	2,373,554
Net Cash Provided by Operating Activities	<u>4,125,933</u>	<u>9,923,994</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in Investments	967,351	(437,051)
(Increase)/Decrease in Accrued Interest Receivable	(335,328)	110,918
(Increase)/Decrease in Investment in Partnership	64,578	-
Increase/(Decrease) in Deferred Interest Receivable	335,328	-
Interest Income	20,535	27,365
Net Cash (Used In) Provided by Investing Activities	<u>1,052,464</u>	<u>(298,768)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	1,189,070	9,297,845
Transfer of Capital Fund	(620,022)	(1,981,601)
Investment in Construction Activities	(596,156)	(9,297,845)
(Increase)/Decrease in Notes & Developer Fees Receivable	(5,894,723)	(7,276,961)
Net Cash (Used In) Provided by Capital and Related Activities	<u>(5,921,831)</u>	<u>(9,258,562)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(743,434)</u>	<u>366,664</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	1,277,983	911,319
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 534,549</u>	<u>\$ 1,277,983</u>
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Net Income	\$ 1,534,054	\$ 9,937,645
Adjustments To Reconcile		
Depreciation	707,167	769,296
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	1,995,846	(222,708)
(Increase)/Decrease in Prepaid Expenses	40,007	(30,713)
(Increase)/Decrease in Material Inventories	(6,724)	13,280
Increase/(Decrease) in Accounts Payable	(594,689)	(595,005)
Increase/(Decrease) in Accrued Liabilities	(5,549)	17,827
Increase/(Decrease) in Trust Deposits	6,947	31,356
Increase/(Decrease) in Deferred Liabilities	448,874	3,016
Net Cash Provided by Operating Activities	<u>\$ 4,125,933</u>	<u>\$ 9,923,994</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, 2012**

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.

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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012**

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 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, 2012**

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 \$534,549 at December 31, 2012, 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, \$266,010 is restricted, as follows:

<u>Purpose</u>	<u>Amount</u>
Future HAP Payments	\$ 183,599
FSS Escrow	82,411
Total	<u>\$ 266,010</u>

Note 4 - Investments

At December 31, 2012, investments totaled \$2,699,832 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.

Note 5 - Accounts Receivable

At December 31, 2012, accounts receivable totaled \$132,114, and consisted of the following:

Accounts Receivable – Tenants	\$ 23,422
Accounts Receivable – Other	96,936
Accounts Receivable – Section 8	11,756
Total	<u>\$ 132,114</u>

The Authority reviews the accounts receivable periodically. In fiscal year 2012, the Authority wrote off \$3,005 in tenant receivables, which were deemed uncollectible.

Inter-fund receivables at December 31, 2012 totaled \$44,049 and were offset by inter-fund payables of the same amount.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012 totaled \$2,563,482 as follows:

<u>Company</u>	<u>Amount</u>
Golden Manor, L.P.	\$ 289,335
Saxony Townhomes, L.P.	313,393
American Heartland Homes One, LLC	1,245,754
American Heartland Homes Two, LLC	715,000
Total	<u>\$ 2,563,482</u>

Note 7 - Prepaid Expenses

Prepaid expenses totaled \$91,592 at December 31, 2012, and consisted of prepaid insurances.

Note 8 - Material Inventories

Material inventories totaled \$47,339 at December 31, 2012. 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 2012 fiscal year.

Note 9 – Notes Receivable

Notes receivable totaled \$16,044,628, at December 31, 2012 as follows:

	<u>Note</u>	<u>Accrued Interest</u>
AHH1 - Notes Receivable	\$ 11,500,000	\$ 248,352
AHH1 - Money Mortgage	846,000	95,327
AHH2 - Notes Receivable	3,313,941	152,396
AHH2 - Loan from HEH	250,000	3,125
Golen Manor - Loan from HEH	134,687	38,442
	<u>\$ 16,044,628</u>	<u>\$ 537,642</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 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. The Authority had advanced AHH1 \$11,500,000, at December 2012. Accrued interest totaled \$248,352.

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. All unpaid principal and interest are due on December 31, 2035. As of December 31, 2012, the mortgage receivable was \$846,000 with accrued interest of \$95,327.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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. As of December 31, 2012, the mortgage receivable was \$3, 313,941 with accrued interest of \$152,396.

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

Homestead Enterprise Housing, Inc. (HEH), 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 unpaid principal and accrued interest will be due at maturity. The note matures in December 2026. Golden Manor repaid \$300,000, leaving a balance outstanding at December 2012 of \$134,687. Accrued interest on the loan totaled \$38,442.

Note 10 – Investment in Partnership

Investment in partnership totaled \$44,427 at December 31, 2012, and consisted of amounts invested into the mixed income partnership.

Note 11 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended December 31, 2012, were as follows:

	<u>December 31, 2011</u>	<u>Additions, Transfers and Dispositions</u>	<u>December 31, 2012</u>
Hammond Housing Authority			
Fixed Assets			
Land and Structures	\$ 15,913,321	\$ 6,465	\$ 15,919,786
Office Furniture and Equipment	1,142,274		1,142,274
Construction in Progress	3,222,137	(619,883)	2,602,254
(Less) Accumulated Depreciation	(10,414,400)	(707,167)	(11,121,567)
Total Fixed Assets	<u>\$ 9,863,332</u>	<u>\$ (1,320,585)</u>	<u>\$ 8,542,747</u>

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 2012 totaled \$707,167. The decrease in construction in progress was mainly due to the transfer of progress costs to long term notes receivable.

Note 12 - Accounts Payable

Accounts payable totaled \$95,329 at December 31, 2012, which consisted of the following:

Accounts Payable - Vendors	\$ 4,135
Tenants Security Deposits	80,687
Accounts Payable - Other	810
Accounts Payable - PILOT	9,697
Total	<u>\$ 95,329</u>

Inter-fund payables at December 31, 2012 totaled \$44,049 and were offset by interfund receivables of the same amount.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Note 13 - Accrued Liabilities

Accrued liabilities totaled \$23,221 at December 31, 2012, and represented amounts due for accrued payroll taxes.

Note 14 - Deferred Revenue

Deferred revenue at December 31, 2010, totaled \$465,447, and consisted of \$13,401 in excess of expenditures for the Housing Counseling Grant and \$452,046 in deferred development fees.

Note 15 - Trust Deposits

Trust deposits at December 31, 2012, totaled \$82,411, and consisted of amounts due under the family self-sufficiency program.

Note 16 - Deferred Interest Receivable

Deferred interest receivable at December 31, 2012 totaled \$537,642, and consisted of income due from various notes receivables. Refer to note 9.

Note 17 - 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, 2012, 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, 2012, totaled \$1,418,287, as indicated below.

Beginning Balance	\$	1,864,918
Additions		156,349
Distribution and Fees		(602,980)
Ending Balance	\$	<u>1,418,287</u>

The Authority's total payroll expense was \$1,198,678 for the year ended December 31, 2012.

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.

**HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2012. Management has performed their analysis through September 17, 2013, the date the financial statements were issued. The Authority has not evaluated events occurring after September 17, 2013 in these financial statements.

Note 20 – Prior Period Adjustment

The Prior Period Adjustment totaling (\$620,022) resulted from construction in progress costs transferred to long term notes receivable.

SUPPLEMENTAL INFORMATION

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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				
Capital Fund Program	C - 918	14.872	\$ 1,094,054	\$ 1,094,054
Total Low Rent Housing Programs			1,094,054	1,094,054
Housing Assistance Payment Programs				
Housing Choice Voucher Program	C - 2027	14.871	5,128,838	5,967,757
Total Housing Assistance Program Payments			5,128,838	5,967,757
Total U S Department of Housing and Urban Development (Major Programs)			6,222,892	7,061,811
Non-Major Programs - U S Department of Housing and Urban Development				
Low Rent Housing Program				
Low Rent Housing Programs	C - 918	14.850	\$ 149,533	\$ 1,439,817
Competitive Capital Funds Stimulus Grant	C - 918	14.884	95,016	95,016
Total Low Rent Housing Programs			244,549	1,534,833
Housing Counselor	C - 918	14.149	19,055	23,055
Total U S Department of Housing and Urban Development (Non-Major Programs)			263,604	1,557,888
Total			\$ 6,486,496	\$ 8,619,699

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. 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, 2012, 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 December 31, 2012.

At December 31, 2012, the Authority had loans receivable of \$16,044,628, 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: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	14,169 Housing Counseling Assistance Program	14,884 Competitive Capital Fund Stimulus Grant	6 Component Units	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$0		\$13,401	\$0	\$223,925	\$31,213	\$268,539		\$268,539
112 Cash - Restricted - Modernization and Development	\$0						\$0		\$0
113 Cash - Other Restricted	\$0	\$266,010					\$266,010		\$266,010
114 Cash - Tenant Security Deposits	\$0						\$0		\$0
115 Cash - Restricted for Payment of Current Liabilities	\$0						\$0		\$0
100 Total Cash	\$0	\$266,010	\$13,401	\$0	\$223,925	\$31,213	\$534,549	\$0	\$534,549
121 Accounts Receivable - PHA Projects	\$0					\$2,700	\$2,700		\$2,700
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government	\$94,236						\$94,236		\$94,236
125 Accounts Receivable - Miscellaneous		\$11,756			\$2,563,482	\$0	\$2,575,238		\$2,575,238
126 Accounts Receivable - Tenants	\$14,939				\$8,735		\$23,674		\$23,674
126.1 Allowance for Doubtful Accounts -Tenants	-\$253				\$0		-\$253		-\$253
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0						\$0		\$0
128 Fraud Recovery	\$0						\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0						\$0		\$0
129 Accrued Interest Receivable	\$0						\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$108,922	\$11,756	\$0	\$0	\$2,572,217	\$2,700	\$2,695,595	\$0	\$2,695,595
131 Investments - Unrestricted	\$2,500,764					\$118,382	\$2,619,146		\$2,619,146
132 Investments - Restricted	\$80,686						\$80,686		\$80,686
135 Investments - Restricted for Payment of Current Liability	\$0						\$0		\$0
142 Prepaid Expenses and Other Assets	\$72,194	\$12,339				\$7,059	\$91,592		\$91,592
143 Inventories	\$47,339						\$47,339		\$47,339
143.1 Allowance for Obsolete Inventories	\$0						\$0		\$0
144 Inter Program Due From	\$28,985	\$15,064					\$44,049	-\$44,049	\$0
145 Assets Held for Sale	\$0						\$0		\$0
150 Total Current Assets	\$2,838,890	\$305,169	\$13,401	\$0	\$2,796,142	\$159,354	\$6,112,956	-\$44,049	\$6,068,907
161 Land	\$294,336					\$80,072	\$374,408		\$374,408
162 Buildings	\$1,348,678					\$186,948	\$1,535,626		\$1,535,626
163 Furniture, Equipment & Machinery - Dwellings	\$0					\$6,465	\$6,465		\$6,465
164 Furniture, Equipment & Machinery - Administration	\$852,341	\$218,850			\$20,949	\$246,631	\$1,338,771		\$1,338,771
165 Leasehold Improvements	\$13,771,809					\$34,980	\$13,806,789		\$13,806,789
166 Accumulated Depreciation	-\$10,692,697	-\$194,688			-\$6,285	-\$227,896	-\$11,121,566		-\$11,121,566
167 Construction in Progress	\$2,602,254						\$2,602,254		\$2,602,254
168 Infrastructure	\$0					\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,176,721	\$24,162	\$0	\$0	\$14,664	\$327,200	\$8,542,747	\$0	\$8,542,747
171 Notes, Loans and Mortgages Receivable - Non-Current	\$15,659,941				\$384,687	\$0	\$16,044,628		\$16,044,628

172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current	\$0						\$0		\$0
174 Other Assets	\$496,075				\$41,567		\$537,642		\$537,642
176 Investments in Joint Ventures					\$44,427		\$44,427		\$44,427
180 Total Non-Current Assets	\$24,332,737	\$24,162	\$0	\$0	\$485,345	\$327,200	\$25,169,444	\$0	\$25,169,444
190 Total Assets	\$27,171,627	\$329,331	\$13,401	\$0	\$3,281,487	\$486,554	\$31,282,400	-\$44,049	\$31,238,351
311 Bank Overdraft	\$0						\$0		\$0
312 Accounts Payable <= 90 Days	\$3,263				\$810	\$872	\$4,945		\$4,945
313 Accounts Payable >90 Days Past Due	\$0						\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$0					\$23,221	\$23,221		\$23,221
322 Accrued Compensated Absences - Current Portion	\$0						\$0		\$0
324 Accrued Contingency Liability	\$0						\$0		\$0
325 Accrued Interest Payable	\$0						\$0		\$0
331 Accounts Payable - HUD PHA Programs							\$0		\$0
332 Account Payable - PHA Projects	\$0						\$0		\$0
333 Accounts Payable - Other Government	\$0						\$0		\$0
341 Tenant Security Deposits	\$80,686						\$80,686		\$80,686
342 Deferred Revenues	\$0		\$13,401		\$452,046		\$465,447		\$465,447
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds									
344 Current Portion of Long-term Debt - Operating Borrowings	\$0						\$0		\$0
345 Other Current Liabilities	\$9,698	\$82,411					\$92,109		\$92,109
346 Accrued Liabilities - Other	\$0						\$0		\$0
347 Inter Program - Due To	\$34,119					\$9,930	\$44,049	-\$44,049	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$127,766	\$82,411	\$13,401	\$0	\$452,856	\$34,023	\$710,457	-\$44,049	\$666,408
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
352 Long-term Debt, Net of Current - Operating Borrowings	\$0						\$0		\$0
353 Non-current Liabilities - Other	\$496,075				\$41,567		\$537,642		\$537,642
354 Accrued Compensated Absences - Non Current	\$0						\$0		\$0
355 Loan Liability - Non Current									
356 FASB 5 Liabilities	\$0						\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$0						\$0		\$0
350 Total Non-Current Liabilities	\$496,075	\$0	\$0	\$0	\$41,567	\$0	\$537,642	\$0	\$537,642
300 Total Liabilities	\$623,841	\$82,411	\$13,401	\$0	\$494,423	\$34,023	\$1,248,099	-\$44,049	\$1,204,050
508.1 Invested In Capital Assets, Net of Related Debt	\$8,176,721	\$24,162			\$14,664	\$327,200	\$8,542,747		\$8,542,747
511.1 Restricted Net Assets	\$0	\$186,544					\$186,544		\$186,544
512.1 Unrestricted Net Assets	\$18,371,065	\$36,214	\$0	\$0	\$2,772,400	\$125,331	\$21,305,010		\$21,305,010
513 Total Equity/Net Assets	\$26,547,786	\$246,920	\$0	\$0	\$2,787,064	\$452,531	\$30,034,301	\$0	\$30,034,301
600 Total Liabilities and Equity/Net Assets	\$27,171,627	\$329,331	\$13,401	\$0	\$3,281,487	\$486,554	\$31,282,400	-\$44,049	\$31,238,351

Housing Authority of the City of Hammond (IN010)
 HAMMOND, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.871 Housing Choice Vouchers	14.169 Housing Counseling Assistance Program	14.884 Competitive Capital Fund Stimulus Grant	6 Component Units	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$546,766						\$546,766		\$546,766
70400 Tenant Revenue - Other	\$9,322						\$9,322		\$9,322
70500 Total Tenant Revenue	\$556,088	\$0	\$0	\$0	\$0	\$0	\$556,088	\$0	\$556,088
70600 HUD PHA Operating Grants	\$932,423	\$5,128,838	\$19,055	\$7,788			\$6,088,104		\$6,088,104
70610 Capital Grants	\$311,164			\$87,228			\$398,392		\$398,392
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees						\$504,109	\$504,109	-\$504,109	\$0
70700 Total Fee Revenue						\$504,109	\$504,109	-\$504,109	\$0
70800 Other Government Grants	\$0				\$1,000		\$1,000		\$1,000
71100 Investment Income - Unrestricted	\$19,531	\$56			\$151	\$797	\$20,535		\$20,535
71200 Mortgage Interest Income	\$0						\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0						\$0		\$0
71310 Cost of Sale of Assets	\$0						\$0		\$0
71400 Fraud Recovery	\$0	\$15,444					\$15,444		\$15,444
71500 Other Revenue	\$2,235,587	\$47,818	\$1,000		\$632,752	\$194,186	\$3,111,343		\$3,111,343
71600 Gain or Loss on Sale of Capital Assets	\$0				\$1,273		\$1,273		\$1,273
72000 Investment Income - Restricted	\$0	\$0					\$0		\$0
70000 Total Revenue	\$4,054,793	\$5,192,156	\$20,055	\$95,016	\$635,176	\$699,092	\$10,696,288	-\$504,109	\$10,192,179
91100 Administrative Salaries	\$131,556	\$257,477	\$16,373			\$240,669	\$646,075		\$646,075
91200 Auditing Fees	\$18,000				\$16,500	\$9,000	\$43,500		\$43,500
91300 Management Fee	\$0						\$0		\$0
91310 Book-keeping Fee	\$0						\$0		\$0
91400 Advertising and Marketing	\$0						\$0		\$0
91500 Employee Benefit contributions - Administrative	\$0	\$107,543	\$367			\$161,551	\$269,461		\$269,461
91600 Office Expenses	\$22,147	\$24,138			\$16,241	\$16,361	\$78,887		\$78,887
91700 Legal Expense	\$7,055	\$1,817				\$9,460	\$18,332		\$18,332
91800 Travel	\$2,122	\$1,148				\$2,762	\$6,032		\$6,032
91810 Allocated Overhead	\$423,709	\$80,400					\$504,109	-\$504,109	\$0
91900 Other	\$8,261	\$12,998	\$1,600			\$38,577	\$61,436		\$61,436
91000 Total Operating - Administrative	\$612,850	\$485,521	\$18,340	\$0	\$32,741	\$478,380	\$1,627,832	-\$504,109	\$1,123,723
92000 Asset Management Fee	\$0						\$0		\$0
92100 Tenant Services - Salaries	\$46,523					\$270	\$46,793		\$46,793
92200 Relocation Costs	\$0						\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0						\$0		\$0
92400 Tenant Services - Other	\$2,367						\$2,367		\$2,367

92500 Total Tenant Services	\$48,890	\$0	\$0	\$0	\$0	\$270	\$49,160	\$0	\$49,160
93100 Water	\$27,907	\$260				\$566	\$28,733		\$28,733
93200 Electricity	\$153,563	\$1,643				\$8,245	\$163,451		\$163,451
93300 Gas	\$33,910	\$622				\$2,828	\$37,360		\$37,360
93400 Fuel	\$0						\$0		\$0
93500 Labor	\$0						\$0		\$0
93600 Sewer	\$0						\$0		\$0
93700 Employee Benefit Contributions - Utilities	\$0						\$0		\$0
93800 Other Utilities Expense	\$0						\$0		\$0
93000 Total Utilities	\$215,380	\$2,525	\$0	\$0	\$0	\$11,639	\$229,544	\$0	\$229,544
94100 Ordinary Maintenance and Operations - Labor	\$226,175					\$32,014	\$258,189		\$258,189
94200 Ordinary Maintenance and Operations - Materials and Other	\$21,216	\$17				\$1,242	\$22,475		\$22,475
94300 Ordinary Maintenance and Operations Contracts	\$138,893	\$1,422				\$16,529	\$156,844		\$156,844
94500 Employee Benefit Contributions - Ordinary Maintenance	\$187,941						\$187,941		\$187,941
94000 Total Maintenance	\$574,225	\$1,439	\$0	\$0	\$0	\$49,785	\$625,449	\$0	\$625,449
95100 Protective Services - Labor	\$0					\$101,725	\$101,725		\$101,725
95200 Protective Services - Other Contract Costs	\$1,089	\$179				\$11,437	\$12,705		\$12,705
95300 Protective Services - Other	\$0					\$13,195	\$13,195		\$13,195
95500 Employee Benefit Contributions - Protective Services	\$0						\$0		\$0
95000 Total Protective Services	\$1,089	\$179	\$0	\$0	\$0	\$126,357	\$127,625	\$0	\$127,625
96110 Property Insurance	\$0						\$0		\$0
96120 Liability Insurance	\$0						\$0		\$0
96130 Workmen's Compensation	\$0						\$0		\$0
96140 All Other Insurance	\$85,233	\$20,531			\$1,495	\$11,331	\$118,590		\$118,590
96100 Total insurance Premiums	\$85,233	\$20,531	\$0	\$0	\$1,495	\$11,331	\$118,590	\$0	\$118,590
96200 Other General Expenses	\$95,038	\$18,130	\$4,715			\$26,776	\$144,659		\$144,659
96210 Compensated Absences	\$0						\$0		\$0
96300 Payments in Lieu of Taxes	\$9,697						\$9,697		\$9,697
96400 Bad debt - Tenant Rents	\$3,144						\$3,144		\$3,144
96500 Bad debt - Mortgages	\$0						\$0		\$0
96600 Bad debt - Other	\$0						\$0		\$0
96800 Severance Expense	\$0						\$0		\$0
96000 Total Other General Expenses	\$107,879	\$18,130	\$4,715	\$0	\$0	\$26,776	\$157,500	\$0	\$157,500
96710 Interest of Mortgage (or Bonds) Payable	\$0						\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0						\$0		\$0
96730 Amortization of Bond Issue Costs	\$0						\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,645,546	\$528,325	\$23,055	\$0	\$34,236	\$704,538	\$2,935,700	-\$504,109	\$2,431,591
97000 Excess of Operating Revenue over Operating Expenses	\$2,409,247	\$4,663,831	-\$3,000	\$95,016	\$600,940	-\$5,446	\$7,760,588	\$0	\$7,760,588
97100 Extraordinary Maintenance	\$4,450	\$314				\$2,285	\$7,049		\$7,049
97200 Casualty Losses - Non-capitalized	\$0						\$0		\$0
97300 Housing Assistance Payments	\$0	\$5,483,841					\$5,483,841		\$5,483,841

97350 HAP Portability-In	\$0	\$28,477					\$28,477		\$28,477
97400 Depreciation Expense	\$631,502	\$7,200			\$4,190	\$64,275	\$707,167		\$707,167
97500 Fraud Losses	\$0						\$0		\$0
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense	\$0						\$0		\$0
90000 Total Expenses	\$2,281,498	\$6,048,157	\$23,055	\$0	\$38,426	\$771,098	\$9,162,234	-\$504,109	\$8,658,125
10010 Operating Transfer In	\$790,038					\$640	\$790,678		\$790,678
10020 Operating transfer Out	-\$782,890			-\$7,788			-\$790,678		-\$790,678
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit	\$0						\$0		\$0
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss	\$0						\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0						\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0						\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0						\$0		\$0
10093 Transfers between Program and Project - In	\$0						\$0		\$0
10094 Transfers between Project and Program - Out	\$0						\$0		\$0
10100 Total Other financing Sources (Uses)	\$7,148	\$0	\$0	-\$7,788	\$0	\$640	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,780,443	-\$856,001	-\$3,000	\$87,228	\$596,750	-\$71,366	\$1,534,054	\$0	\$1,534,054
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$25,300,137	\$1,102,921	\$3,000	\$0	\$2,190,314	\$523,897	\$29,120,269		\$29,120,269
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$532,794			-\$87,228	\$0		-\$620,022		-\$620,022
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		\$60,376					\$60,376		\$60,376
11180 Housing Assistance Payments Equity		\$186,544					\$186,544		\$186,544
11190 Unit Months Available	3384	9792					13176		13176
11210 Number of Unit Months Leased	3260	9680					12940		12940
11270 Excess Cash	\$2,373,777						\$2,373,777		\$2,373,777
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$0					\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$194,874					\$0	\$194,874		\$194,874
11640 Furniture & Equipment - Administrative Purchases	\$15,425					\$0	\$15,425		\$15,425
11650 Leasehold Improvements Purchases	\$188,093					\$0	\$188,093		\$188,093
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, 2012 (WITH COMPARATIVE TOTALS FOR 2011)**

EXHIBIT F

	2012	2011
REVENUES		
HUD Program Grants	\$ 19,055	\$ 27,834
Other	1,000	1,500
TOTAL REVENUES	<u>20,055</u>	<u>29,334</u>
EXPENSES		
Administrative	18,340	32,333
General Expense	4,715	2,509
TOTAL EXPENSES	<u>23,055</u>	<u>34,842</u>
CHANGE IN NET ASSETS	(3,000)	(5,508)
NET ASSETS AT DECEMBER 31, 2011	3,000	8,508
NET ASSETS AT DECEMBER 31, 2012	<u>\$ -</u>	<u>\$ 3,000</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF ACTIVITIES – HOUSING COUNSELING GRANT – BUDGET VS ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2012 (WITH COMPARATIVE TOTALS FOR 2011)**

EXHIBIT G

	BUDGET	ACTUAL	VARIANCE
REVENUES			
HUD Program Grants	\$ 19,055	\$ 19,055	\$ -
Other	1,000	1,000	-
TOTAL REVENUES	<u>20,055</u>	<u>20,055</u>	<u>-</u>
EXPENSES			
Administrative	18,340	18,340	-
General Expense	4,715	4,715	-
TOTAL EXPENSES	<u>23,055</u>	<u>23,055</u>	<u>-</u>
CHANGE IN NET ASSETS	(3,000)	(3,000)	-
NET ASSETS AT DECEMBER 31, 2011	3,000	3,000	-
NET ASSETS AT DECEMBER 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
 STATEMENT OF CAPITAL FUND COSTS - UNCOMPLETED
 FOR THE YEAR ENDED DECEMBER 31, 2012**

**ANNUAL CONTRIBUTION CONTRACT C - 918
 PHASES IN36PO10 - 510, 511, 512, AND 508R**

EXHIBIT H

	510	511	512	508R	Total
Funds Approved	\$ 975,015	\$ 612,832	\$ 458,458	\$ 102,845	\$ 2,149,150
Funds Expended	<u>975,015</u>	<u>588,582</u>	<u>247,717</u>	<u>102,845</u>	<u>1,914,159</u>
Excess(Deficit) of Funds Approved	\$ <u>-</u>	\$ <u>24,250</u>	\$ <u>210,741</u>	\$ <u>-</u>	\$ <u>234,991</u>
Funds Advanced	\$ 975,015	\$ 588,582	\$ 247,717	\$ 102,845	\$ 1,914,159
Funds Expended	<u>975,015</u>	<u>588,582</u>	<u>247,717</u>	<u>102,845</u>	<u>1,914,159</u>
Excess(Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

- 1 Capital Fund Program costs for Phases IN 36 - 510, IN 36 - 511, IN 36 - 512 and IN 36 - 508R, are shown above.
- 2 Cost audited during the audit period were as follows; IN 36 - 510, \$75,328, IN 36 - 511, \$79,054, IN 36 - 512, \$247,717 and IN 36 - 508R, \$102,845, and, accordingly, were audited by 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, 2012**

**ANNUAL CONTRIBUTION CONTRACT C - 918
 PHASES IN36P010 - 109T, 509S, 509, 509R, 510R, AND 209E**

EXHIBIT I

	109T	509S	509	509R	510R	209E	Total
Funds Approved	\$ 982,144	\$ 975,015	\$ 982,144	\$ 290,350	\$ 285,554	\$ 572,000	\$ 4,087,207
Funds Expended	<u>982,144</u>	<u>975,015</u>	<u>982,144</u>	<u>290,350</u>	<u>285,554</u>	<u>572,000</u>	<u>4,087,207</u>
Excess\Deficit) of Funds Approved	\$ <u>-</u>						
Funds Advanced	\$ 982,144	\$ 975,015	\$ 982,144	\$ 290,350	\$ 285,554	\$ 572,000	\$ 4,087,207
Funds Expended	<u>982,144</u>	<u>975,015</u>	<u>982,144</u>	<u>290,350</u>	<u>285,554</u>	<u>572,000</u>	<u>4,087,207</u>
Excess\Deficit) of Funds Advanced	\$ <u>-</u>						

- 1 Capital Fund Grant program costs for Phases IN 36 - 109T, IN 36 - 509S, IN 36 - 509, IN 36 - 509R, IN 36 - 510R, and IN 36 - 209E, are shown above.
- 2 All modernization work in connection with the Capital Fund Grant has been completed;
- 3 That the entire actual modernization costs or liabilities incurred by the housing authority have been fully paid;
- 4 That there are no discharged mechanics', laborers', contractors', or material-mens', liens against such modernization work on file in any public office where the same should be filled in order to be valid against such modernization work; and
- 5 That the time in which such liens could be filled has expired.

**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	U.S. Department of Housing and Urban Development
Housing Authority of the City of Hammond, Indiana	Indianapolis Office
Hammond, Indiana	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, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 17, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Velma Butler & Company, Ltd.
Chicago, Illinois

September 17, 2013

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	U.S. Department of Housing and Urban Development
Housing Authority of the City of Hammond, Indiana	Indianapolis Office
Hammond, Indiana	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, 2012. 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, 2012.

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.

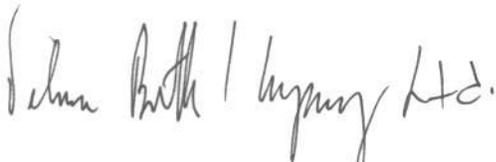
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 design to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated September 17, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Velma Butler & Company, Ltd.
Chicago, Illinois

September 17, 2013

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section I – Summary of Auditors’ Results

Financial Statements

The type of report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Deficiencies identified not considered to be material weaknesses?
Yes X None reported
Noncompliance material to financial statements noted?
Yes X None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No
Deficiencies identified not considered to be material weaknesses?
Yes X None reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

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

Identification of major program:

U.S. Department of Housing and Urban Development

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Low Rent Rental Assistance Programs 14.872	Capital Fund Programs
Housing Choice Voucher Housing Assistance Programs 14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X Yes No

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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.

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATUS OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section IV – Summary of Prior Year Audit Findings

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

**THE HOUSING AUTHORITY OF THE CITY OF HAMMOND, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012**

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.